

# Procurement and supplier diversity in the 2012 Olympics

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## EXECUTIVE SUMMARY

### Introduction

This research was commissioned by the Equality and Human Rights Commission (EHRC) to explore whether the Olympic Delivery Authority's (ODA) procurement policies and practices are benefiting businesses in the five host boroughs of the London 2012 Olympic Games (Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest), with a particular emphasis on businesses owned by ethnic minority groups, women, and disabled people.

To address these objectives, five major data sources have been investigated: the ODAs published procurement strategy, policies and practices, supplemented by interviews with ODA procurement and equality and diversity staff (7); secondary data on businesses in the five boroughs; interviews with business intermediaries in the five host boroughs (16); telephone interviews with first tier contractors (3); and focus groups / face-to-face interviews with business owners, including those owned by ethnic minorities, women and disabled people (31).

### Key findings

- The ODAs policies and practices represent a significant attempt to increase supplier diversity within the context of existing legislation and regulatory requirements.
- There is general agreement that most business opportunities for small and medium enterprises (SMEs), lie closer to 2012 than to 2008. First tier construction contracts are too large to be suitable for SMEs and most opportunities for them lie either further down the supply chain, or in meeting the ODAs corporate procurement needs.
- The ODAs regulatory obligations under UK and EU law inhibit action to favour small businesses, firms in the five host boroughs, and / or those from specific target groups. This means that the ODA approach seeks to create a level

playing field, rather than positively discriminating in favour of disadvantaged groups.

- For procurement officers in public bodies, such as the ODA, implementing supplier diversity (with respect to small firms in general and ethnic minority, women and disabled owned firms, in particular) is challenging and only partly under their direct influence. The ODA must manage a range of competing pressures, among them supporting supplier diversity, in conducting its activities. Moreover, many small firms lack the supporting documentation and procedures required.
- The CompeteFor website is the main vehicle linking small businesses with Olympic Games-related business opportunities, supplemented by 'meet the buyer' and similar events. The approach assumes that raising participation in CompeteFor among excluded groups will translate into an increased number of responses to contract opportunities, and ultimately contract awards to these groups. It is too early to comment on the effectiveness and overall impact of CompeteFor in this regard. Although CompeteFor is regarded as a useful tool by some small businesses, criticisms of the process were also evident, including the vagueness of contract opportunities, lack of feedback and access difficulties for disabled business users.
- Business awareness of opportunities for the Olympic Games is growing as a result of publicity surrounding the Games and the dissemination activities of the ODA, London Business Network and their partners. However, many intermediaries remain to be convinced that the benefits will filter down to those they represent.
- SME contract winners interviewed as part of this project, have previous experience of tendering successfully with public sector organisations. This emphasises the potential benefits of SME owners investing time in understanding and meeting the procurement requirements of public sector bodies.



- Two types of data inadequacy limit analysis of outcomes for ethnic minority, women and disabled owned businesses. The first refers to the high percentage of businesses registered on CompeteFor who choose not to record this information. The second refers to the lack of detailed data describing the presence of such groups in specific sectors, in specific localities, that could be used for benchmarking purposes.

### **Implications for the five boroughs**

- A number of businesses from the five boroughs are published on CompeteFor and are therefore, in a position to apply for advertised contract opportunities. However, given the point reached in the procurement cycle, only a small number have won contracts so far.
- Since at least 96 per cent of establishments in each of the five boroughs are small (employing fewer than 50 employees), most local businesses will only be able to access opportunities at lower tiers of the supply chain.
- Business intermediaries pointed out the potential negative effects of the 2012 Olympics on the five host boroughs, which need to be considered alongside any positive gains. These include inflation in property prices and rents that may drive out local businesses, leading to replacement by corporate and multinationals that will change the complexion of the boroughs.

### **Implications for ODA funded procurement**

- CompeteFor is an innovative system for advertising and identifying procurement opportunities, and the number of registered businesses is growing daily. At the same time, interviews with businesses and business intermediaries have indicated: a misunderstanding about its 'modus operandi' in some instances; some demand for greater detail in advertised opportunities, particularly from small firms that are inexperienced in procurement; accessible and user friendly information for disabled users, and a call for greater feedback opportunities for firms that fail to be shortlisted.

- Effective monitoring of supplier diversity at all levels of the supply chain is essential if the effectiveness of the approach is to be demonstrated. At the same time, in practice, the ODA is likely to find monitoring of supplier diversity a complex and resource-intensive task to undertake effectively at lower tiers in the supply chain. While it might be possible to obtain good quality data from the first tier contractors with whom the ODA deal with directly, subcontractors lower down the supply chain may feel less motivated to pursue supplier diversity objectives and consequently, less keen to maintain information on contract awards to their own suppliers.
- Stronger promotion is required of the mechanisms available to enable innovative SMEs to present novel product / service ideas to potential buyers, where no contract opportunity exists on CompeteFor. Although opportunities currently exist through the ODAs Industry Days and meet the buyer events, the research suggests these opportunities are not widely known among the local small business community.
- Active promotion of SME success stories by the ODA and its partners is required, combined with an attempt to manage small business owners' expectations. In view of the relatively recent nature of attempts to open up public procurement more to SMEs, ethnic minorities and other types of firms, it is important to actively promote and disseminate the experiences of small firm contract winners. Not all SMEs, however, are in a position to seek and win, ODA contracts. Therefore, there is a need to balance the promotion of SME success stories against the need to manage small business owners' expectations concerning Olympic Games contracts.

### **Implications for the wider procurement agenda**

- The policy drivers to achieve supplier diversity appear weak in the context of conflicting policy priorities. Public procurement is undoubtedly a potentially powerful economic development tool, particularly in the case of ethnic minority firms, where there is a need to encourage and facilitate business diversification and growth; and in areas, such as the five Olympic boroughs, which are in need

of economic regeneration. However if this is to be achieved, clearer guidance from central Government is required about competing priorities. It also requires a consistent message to be promoted by central Government and all public bodies (to businesses of all sizes) about their expectations with respect to equality and diversity policies and practices throughout their supply chains.

- In view of the fact that public sector procurers are charged with multiple, and often competing objectives, central Government might consider whether their powers are sufficient to meet the supplier diversity objectives sought. The ODA can compel first tier contractors to advertise contract opportunities on CompeteFor, and encourage this throughout the supply chain. However, the ODA cannot influence how contractors package their contracts, or – in the vast majority of cases – whom they select as suppliers (although they have an ultimate right of veto). In practice, the ODAs direct influence appears to be mainly limited to its own corporate procurement, where contract values are lower, and to the encouragement of equality and diversity policies among first tier contractors with respect to construction contracts.
- The CompeteFor model is anticipated to be used as the main mechanism for access to public sector procurement beyond 2012. Its use for the Games can be seen as an extended pilot period to identify any glitches in relation to this wider role. For CompeteFor to be able to develop this wider role beyond 2012, there is a need for continued action to ensure a high level of small business participation, including ethnic minority, women and disabled owned firms, in the period leading up to the Games. Encouraging CompeteFor registration might create a business base who are ‘fit to compete’ for contracts for which they might otherwise have been unable or unwilling to pursue. At the same time, it may require considerable effort to sustain the interest of firms that have been unsuccessful in seeking contracts.
- Business support organisations can contribute to higher levels of supplier diversity in various ways: first, by playing a role in raising business awareness of CompeteFor, its procedures and contract opportunities and by hosting dissemination events; second, by providing support to firms registered on

CompeteFor; third, by providing information on members / clients' businesses and products to enable buyers to identify potential suppliers; and fourth, by assisting SMEs to access purchasing organisations' networks through 'meet the buyer' and similar events.

# 1. INTRODUCTION

## 1.1 Context

The Olympic Delivery Authority (ODA) has a budget of £6.1 billion to deliver the 2012 Games and associated legacy benefits (Olympic Delivery Authority, 2008a). As well as creating an infrastructure for the Games themselves, spending this budget offers considerable potential economic and social benefit through the regeneration associated with building the infrastructure of the Olympic Park and associated venues. The Department for Business, Enterprise and Regulatory Reform (BERR) estimate that up to 70,000 supply chain contracts may be won (Department of Business, Enterprise and Regulatory Reform, 2008). In spending this money, the ODA has an obligation to comply with EU public procurement directives, UK public contracts regulations and public sector duties. It also has a public duty to ensure that its procurement practices are fair and open to diverse suppliers, such as businesses owned by ethnic minorities, women and disabled people, since all public authorities are now required to build race, gender and disability equality into their procurement processes.

Access to public procurement contracts is a potential business opportunity for firms of all sizes. However, previous research has identified a variety of barriers to small businesses and ethnic minority firms accessing public procurement opportunities, in practice (Bates, 2001; Boston, 1999; Ram et al, 2002; Michaelis et al, 2003; Shah and Ram, 2003; BVCA/FM/FSB/CBI, 2008).<sup>1</sup> Some of these barriers are related to the capability and capacity of small and ethnic minority firms to supply, whilst others focus on the policies and practices used by purchasing organisations. In this regard, previous research has referred to the bureaucracy of the procurement process, which can act as a particular barrier for small and micro firms, where internal management resources are typically limited and management approaches are informal (Ram and Smallbone, 2003). There is also a pre-qualification process for firms to navigate before they are included in tender lists. These usually involve completing questionnaires, including financial data and information about policies on equal opportunities and health and safety, as well as the firm's relevant experience and references. Unlike larger enterprises, small firms are unlikely to be able to

allocate dedicated staff resources to the tendering process, which means that the latter has to compete for the time of busy managers with other management functions. Good public procurement practices recognise this by simplifying the pre-qualification requirements, as reflected in Trade Local and the Haringey SME Procurement pilot (<http://www.haringey.gov.uk>).

Small firms often experience difficulties obtaining information about supply opportunities and how to bid for contracts (Better Regulation Task Force and Small Business Council, 2003; Ram and Smallbone, 2003). The introduction of the [www.supply2gov.uk](http://www.supply2gov.uk) website constitutes an attempt to improve information flows, although not all public bodies systematically use it to advertise lower value contracts (usually <£100,000) (Smallbone et al, 2007). The use of open days, supplier briefings and help desks have been welcomed as a positive development for SMEs (Smith and Hobbs, 2002), particularly when combined with a systematic attempt to monitor the changing pattern of supply.

Research has also drawn attention to the constraints, which public bodies seeking to diversify their supply base, have to deal with (Ram and Smallbone, 2003). Procurement officers in public bodies operate within constraints imposed by public tendering procedures, particularly where this involves suppliers possessing formal certification, with respect to issues such as quality assurance and health and safety. The scope to give preference to targeted groups of potential suppliers by public bodies, such as UK local authorities and central departments, is limited by national and EU Competition Policy rules, which are based on the principles of non-discrimination, equality of opportunity, transparency and competition. The purpose is to open up the public procurement market to ensure the free movement of goods and services within the EU. As a consequence, the criteria for shortlisting candidates are restricted to: technical capability; financial capacity to deliver the contract; adherence to statutory requirements; and relevant insurances. Indeed, the Treaty of Rome and other EU directives make the use of place of residence and location of bidders illegal for awarding a contract.

EC Competition Policy rules set out detailed procedures for advertising and awarding contracts of a certain value. Essentially, tenders above the EU thresholds must be

advertised in the Official Journal of the European Union (OJEU), which currently means tenders above £139,893 for goods and services, and above £3,497,313 for works. EU law establishes rules, which promote transparent and non-discriminatory practices in the procurement process. They also set minimum time periods to allow suppliers to respond to advertisements and prepare submissions (Olympic Delivery Authority, 2008b).

From an economic development perspective, the size of procurement budgets of public bodies means that even a modest increase in their spend with small firms can have a significant impact. As far as ethnic minority firms are concerned, increased access to procurement contracts represents an opportunity to diversify into higher value-added activity than the retailing and catering establishments, which traditionally have accounted for a high proportion of their activity in Britain.

Progress with public sector procurement has included two national pilot schemes: one in the West Midlands; and the other in the London Borough of Haringey. This reflects recognition on the part of UK central Government that public procurement is a potentially important policy lever for economic development. The wider procurement agenda is also reflected in the work of the current Glover Review, which is investigating the barriers that small firms face in winning public sector contracts.<sup>2</sup>

Increasing the diversity of supply to UK public bodies is supported by a statutory responsibility given by the Race Relations (Amendment) Act (2000) to promote race equality. Public authorities are required to take race equality into account in relation to policy making, service delivery and other functions ([www.cre.gov.uk](http://www.cre.gov.uk)). Other statutes such as the Disability Discrimination Act 2005 and the Equality Act 2006, outlaw discrimination in all public agencies' functions. This applies to procurement, which means that public authorities must now consider the equality duties, and build race, gender and disability equality into their procurement process. Moreover, one of the key mandates of the Single Equality Act 2006 is to promote good relations between and within diverse communities, across all sections of society, and prohibit discrimination in the provision of goods, facilities, services, premises, education and the exercise of public functions.

In this context, the procurement policies and practices of the Olympic Delivery Authority may be viewed as an innovative attempt to apply these principles in relation to a large, high profile infrastructure project.

## **1.2 Research objectives**

The purpose of the study is to explore whether the ODAs procurement policies and practices are benefiting businesses in the five host boroughs of the London 2012 Olympic Games (Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest), with a particular emphasis on businesses owned by ethnic minorities, women, and disabled people.

More specifically, the aims are to:

- Assess current ODA procurement policies and practices and how they comply with public sector duties on gender, race and disability
- Draw together available data on businesses in the five host boroughs
- Explore the experiences of a small number of ODA-selected first tier contractors when sub-contracting within the five host boroughs
- Explore the expectations and experiences of businesses with a range of characteristics in the five Olympic host boroughs, when accessing ODA-funded work
- Draw out the implications for ODA-funded procurement and suggest ways of increasing the involvement of businesses with different characteristics in ODA-funded contracts.



### 1.3 Methodology

The methodology comprised the following elements:

**(i) A review of the ODAs procurement strategy, policies and practices**

This involved an initial desk-based review of documents describing the ODAs procurement policy, equality and diversity strategy, race equality scheme, gender equality scheme, disability equality scheme and the suppliers guide (Olympic Delivery Authority 2007a, b, c, d, e; 2008b). In addition, face-to-face interviews were conducted with selected ODA staff, including the Procurement Team Manager, Senior Supply Chain Managers, the Head of Corporate Procurement, and the Head and Deputy Head of Equalities and Inclusion.

**(ii) Analysis of secondary data on businesses in the five boroughs**

A profile of businesses in the five host boroughs is provided using secondary data sources. These sources have a number of limitations: first, the data is establishment rather than enterprise-based; second, estimates are based on small sub-sample sizes. Therefore, users should be cautious when making general claims about businesses based on such data.

**(iii) Interviews with intermediaries in the five host boroughs**

A total of 16 intermediary organisations were invited to provide an informed view on a number of specific research questions, but also to assist in identifying businesses to participate in the project. These included representatives of business support organisations and membership organisations dealing with disadvantaged groups – including some involved in potentially relevant business initiatives – set up to assist local businesses to access ODA contracts.

The aim was to obtain intermediaries' assessment of: what local businesses in disadvantaged groups might expect to gain from the Olympics; the outcomes from supplier diversity initiatives so far; suggestions to improve ODA procurement policy practices; and recommendations to build capacity in (potential) local suppliers.

**(iv) Telephone interviews with first tier contractors**

Interviews were conducted by telephone with three first tier contractors, identified by the ODA, to discover: their experiences of contracting with the ODA; their procurement policies and practices; and their experiences of dealing with small firm suppliers. Although it was originally intended to interview more first tier contractors, it was decided that further interviews were not justified, because contracting below first tier level is at an early stage.

**(v) Focus groups / face-to-face interviews with representatives of minority businesses (based on ethnicity, gender, disability)**

A combination of face-to-face interviews and focus groups were undertaken with owners of ethnic minority firms, women-owned enterprises and disabled business owners, to investigate their expectations and experiences of ODA procurement. A total of 31 small businesses participated. Three types of business were included: first, those that have won business from the ODA (either directly as first tier contractors or as suppliers lower down the supply chain) (6 firms); second, those that have actively sought to win such business and failed (4 firms); and third, those who aspire to bid for such contracts (21 firms). Businesses were identified with the help of intermediary organisations contacted in (iii) above and the ODA.

**1.4 Business profile of the five boroughs**

The population of the five Olympic boroughs is one of the most ethnically diverse in the UK: 42 per cent are members of ethnic minority communities, which contrasts with approximately 29 per cent in London as a whole and about 8 per cent in the UK (Olympic Delivery Authority, 2007b). Consequently, equality and diversity issues need to be part of any assessment of the extent to which local businesses in the five boroughs are accessing ODA procurement and / or are in a position to access it in the future. Existing data sources were used to identify key characteristics of businesses located in the five boroughs, including sector, size and ownership. Limited data are available at this spatial scale to benchmark supplier diversity in contracts awarded or for future assessment.

## Business size

The nature and extent to which firms within the five boroughs are able to access 2012 Games-related opportunities depends, in part, on the profile of businesses in these areas. As in most localities, the vast majority of business establishments in the five boroughs are small (Table 1.1). Although there is some variation between boroughs, the small sample size suggests observed differences are not significant. At least 96 per cent of establishments in each of the five boroughs are small, employing fewer than 50 employees; and at least 81 per cent employ fewer than 10. This is a similar pattern to London as a whole. Hence, it seems likely that most local businesses will only be able to access opportunities at lower tiers of the supply chain, particularly with regard to construction works, where primary contracts to first tier contractors are likely to be out of reach for capacity reasons.

**Table 1.1 Business size by borough**

	No. of establishments	Sample size	% micro (<10 employees)	% small (<50 employees)
Greenwich	8,040	72	88	98
Hackney	7,063	61	89	98
Newham	5,013	66	81	96
Tower Hamlets	10,972	109	85	97
Waltham Forest	9,003	170	91	99
<b>Olympic 5</b>	<b>40,091</b>	<b>478</b>	<b>87</b>	<b>97</b>
<b>ALL LONDON</b>	<b>355,969</b>	<b>4,527</b>	<b>86</b>	<b>98</b>

Source: London Development Agency (LDA), unpublished data.

Note: Establishment numbers are derived from Annual Business Inquiry figures and adjusted for population at the London Learning and Skills Council sub-region level. Care should be taken when disaggregating to individual borough level, due to small sub-sample sizes.

## Industrial structure

Access to 2012 Games-related opportunities also depends on the kinds of activities businesses engage in. The products and services required by the ODA, and its contractors, might not match well with those supplied by local businesses. However, as Table 1.2 shows, taking the five Olympic boroughs in combination, construction is over-represented (8 per cent) compared with London as a whole, and business and professional services is under-represented. Other broad sector groups have a similar share of total establishments in the five boroughs, compared with London as a whole. At the same time, the limitations of these data must be emphasised, as they

simply describe the number of establishments in specific sector groups. More detailed and reliable data at the individual borough level that combine size and sector are not available.

Although there are only minor differences in the profile of business activities between the five Olympic boroughs taken together, and London as a whole, there are marked differences between individual boroughs. Whereas 51 per cent of Newham establishments are in 'business & professional services', for example, in Hackney the figure is only 32 per cent. Similarly, whereas 18 per cent of Greenwich establishments are in construction, fewer than 1 per cent of Hackney establishments are. Whilst small sample sizes limit the scope for disaggregation to borough level, the extent of these observed differences is substantial enough to suggest that they do reflect real inter-borough differences in sectoral mix.

### **Ownership diversity**

Unfortunately, the data available on the ethnicity of business owners in the five boroughs is extremely limited, mainly because of the number of non-responses in the London Development Agency's (LDAs) establishment database. Nevertheless, the proportion of ethnic minority businesses in the five boroughs is almost certainly above the 19 per cent figure for London as a whole – although interpretation of individual borough data is limited by small sample size (Table 1.3). The proportions of businesses owned by women and disabled people in the five boroughs are broadly similar to those for London as a whole, but they differ between individual boroughs.

## **1.5 Structure of the report**

This report has three main chapters. Chapter Two presents data on ODA procurement policies and practices, including the role and use of the CompeteFor website. Chapter Three presents the views and experiences of SMEs and intermediaries with respect to ODA procurement, focusing on the five boroughs and firms owned by ethnic minority groups, women and disabled people. Chapter Four summarises the key issues emerging from the investigation, and considers the implications for the five Olympic boroughs, for ODA funded procurement and for the

wider procurement agenda.

**Table 1.2 Business sector by borough**

	Greenwich (%)	Hackney (%)	Newham (%)	Tower Hamlets (%)	Waltham Forest (%)	<b>Olympic 5</b> (%)	<b>ALL LONDON</b> (%)
No. of establishments	8,040	7,063	5,013	10,972	9,003	40,091	355,969
Sample size	72	61	66	109	170	478	4,527
Primary & utilities	0	0	0	*	0	*	*
Publishing	1	7	1	2	4	3	2
Other manufacturing	3	7	7	3	4	4	3
Construction	18	*	2	5	10	8	6
Wholesale & retail	21	23	14	18	19	19	19
Hotels & restaurants	3	16	13	2	11	8	7
Transport & communications	3	8	5	2	2	4	4
Banking & finance	*	1	7	5	1	3	3
Business & professional services	34	32	38	51	33	39	42
Education, health & social work	3	1	5	3	5	3	4
Other community services	14	5	7	8	10	9	10

Source: London Development Agency (LDA), unpublished data.

Notes: Establishment numbers are derived from Annual Business Inquiry figures and adjusted for population at the London Learning and Skills Council sub-region level. Care should be taken when disaggregating to individual borough level, due to small sub-sample sizes. Starred (\*) cells indicate a percentage between zero and one. Borough percentages do not sum to 100 due to rounding.

**Table 1.3 Business ownership by borough**

	No of establishments	Sample size	% majority ethnic minority-owned (50% plus)	% majority women-owned (50% plus)	% majority disabled-owned (50% plus)
Greenwich	8,040	72	19	8	*
Hackney	7,063	61	12	33	3
Newham	5,013	66	44	4	*
Tower Hamlets	10,972	109	19	11	3
Waltham Forest	9,003	170	28	18	2
<b>Olympic 5</b>	<b>40,091</b>	<b>478</b>	<b>n/d</b>	<b>15</b>	<b>2</b>
<b>ALL LONDON</b>	<b>355,969</b>	<b>4,527</b>	<b>19</b>	<b>16</b>	<b>2</b>

Source: LDA, unpublished data.

Notes: The data are establishment-based, not enterprise-based. Establishment numbers are derived from Annual Business Inquiry figures and adjusted for population at the London Learning and Skills Council sub-region level. Care should be taken when disaggregating to individual borough level, due to small sub-sample sizes. There is missing data at the London and / or at the five borough level. It is difficult to construct a figure for ethnic minority-owned businesses in the five boroughs due to presence of starred (\*) responses in a number of individual ethnic categories. Starred (\*) cells indicate a percentage between zero and one.





## 2. ODA PROCUREMENT POLICIES AND PRACTICES

The ODA has made a commitment to ensure that the economic and social benefits arising from the regeneration associated with the design and build of the Olympic Park and venues, reach all communities of the UK population, including the five host boroughs. Equality and inclusion criteria are embedded in its procurement policy as part of a commitment to supplier diversity. Increasing supplier diversity involves opening up market opportunities for SMEs and particularly those in under-represented groups, such as ethnic minority, women and disabled-owned businesses, to supply goods and services to both public and private sector organisations (Ram and Smallbone, 2003). Achieving this draws attention, on the one hand, to the procurement policies and practices of purchasing organisations, and on the other, to the capacity to supply of SMEs, particularly those in the specified under-represented groups. In some cases, there is a business case for supplier diversity, but in addition, there is race equality and equal opportunities legislation with which purchasing organisations must comply.<sup>3</sup> Whilst some of this legislation has been on the statute book for 40 years, the implications for procurement policies and practices have only attracted policy attention recently.

In this chapter, we examine the ODAs procurement policies and practices, with a particular focus on the equality dimension. Outcomes so far are assessed using CompeteFor data, with regard to registration, publication of a business profile and contracts awarded. To conclude, the key points are discussed.

### 2.1 The Olympic Delivery Authority

The ODA is an Executive Non-Departmental Public Body, accountable to the Secretary of State for Culture, Media and Sport. The ODAs mission is:

*‘to deliver venues, facilities, infrastructure and transport on time for the London 2012 Olympic and Paralympic Games that are fit for purpose and in a way that maximises the delivery of a sustainable legacy within the available budget’.* (Olympic Delivery Authority, 2007a: 24)

The primary objectives are value for money, fitness for purpose and sustainable development. Equalities and inclusion is one of seven priority themes underpinning the ODAs mission and objectives. The other priority themes are: cost, on time, safe and secure, environment, quality and functionality, and legacy (Olympic Delivery Authority, 2007a: 24).

The ODAs procurement activity covers three elements:

- Works - the commissioning and construction of venues and supporting infrastructure
- Services - to plan, guide, design, commission, build, operate and service Olympic facilities as well as to convert legacy venues after the Games
- Goods and commodities.

The ODA has three main procurement teams: Programmes Procurement; Project Procurement; and Corporate Procurement. The Programmes team provides guidance, assurance and standard documentation. The Project team is responsible for procuring works relevant to the construction of venues and infrastructure required to stage the London 2012 Olympic and Paralympic Games. In practice, they provide procurement leaders who sit within project procurement teams to ensure the procurement policy and procedure is followed accordingly. This involves the use of standard documentation (that is, the New Engineering Contract), although some tender documents are bespoke to individual projects. The role of project team members is to deal with the project specific content of procurement that is, the technical specification. The Corporate team is responsible for procuring the goods and services required by ODA itself. All procurement team members are 'procurement trained' and professionally qualified, with a mix of public and private sector experience. In summary, the Project team procure the large capital construction works and the Corporate Team procure everything else.

## **2.2 Procurement practices**

The ODA procures works, services and goods through a multi-tiered supply chain, which means that only first tier contractors contract directly with the ODA. First tier contractors contract with tier two, tier two contract with tier three, and so on.

Therefore, the ODA is only directly responsible for procurement from first tier suppliers, and these tend to be the very large contracts. Whilst the ODA seeks to influence contracts issued below first tier level, in most cases it cannot control them. Although, the ODA can veto works contracts and suppliers bidding for a tier two contract worth more than £50,000 where, for example, prospective suppliers are considered not to be financially sound. As of September 2008, ODA procurement staff reported no instances of the veto being exercised. Contracts below first tier level are typically between private companies and are not subject to public duty regulations, including EU regulations. It is possible therefore, for a private contractor to specify a preference for a five borough firm, for example, as part of a tender specification.

The pre-qualification documentation required, distinguishes between contracts above the Official Journal of the European Union (OJEU) threshold – where first tier contractors are required to have quality assurance certification (for example, ISO accredited) – and those below the OJEU threshold – where a formal quality assurance policy is required but not necessarily certificated. Pre-qualification questionnaires (PQQs) are used to shortlist bidders by assessing their statutory compliance, capability and capacity, as well as alignment to ODA policies and procedures. Firms responding to contract opportunities are required to supply copies of their policies, procedures and insurance certificates. Invitations to tender (ITT), on the other hand, require a more detailed response.

It is ODA policy to offer firms that are unsuccessful at PQQ stage (first tier), an opportunity to receive verbal feedback and to offer unsuccessful bidders at the ITT stage a face-to-face debrief. At tier one level, the ODA seeks to award contracts to suppliers demonstrating best practice. As providing feedback to tenderers is best practice, they expect contractors to do the same. The ODA cannot however, compel contractors at tier two and below to provide feedback to unsuccessful bidders lower down the supply chain, where most opportunities for SMEs lie.

### **The balanced scorecard, pre-qualification and tendering**

A balanced scorecard is used at two stages to set out the technical and commercial criteria: firstly, pre-qualification stage; and secondly, for assessing competing bids following tendering. The balanced scorecard is a template whose content is fixed at both the PQQ and ITT stages. As well as using a balanced scorecard itself, the ODA also require first tier contractors to use the balanced scorecard approach when choosing suppliers lower down the supply chain. However, whilst it is the intention that the ODAs policies and procurement practices cascade down through the supply chain, beyond the first tier level, the ODA can only encourage use of the balanced scorecard.

At the PQQ stage, the assessment of suppliers is based on three levels of criteria – according to ODA procurement staff - (Figure 2.1). The ODA has a legal responsibility to inform those expressing an interest in particular contract opportunities, of the percentages allocated to different criteria. At the first level, ‘governance and compliance’ criteria account for up to 40 per cent of the score awarded and ‘experience and capability’ account for up to 60 per cent. Governance and compliance includes insurances, statutory compliance, conflict of interest, health and safety, environmental sustainability, quality, and equality and diversity. Equality and diversity accounts for up to 8 per cent of a firm’s score at the PQQ stage, depending on whether suppliers have particular policies in place. Senior ODA procurement staff reported that they cannot make an equality policy a requirement for suppliers at the PQQ stage. They can request contractors to have a policy (and do) but cannot preclude firms that do not.

At the ITT stage, questions on equality and diversity may be weighted differently in specific ITTs, subject to the Head of Procurement allowing such variation. Equality and diversity issues affect the chances of a bid being successful, although they appear to be minor factors overall. This is because they are one of a number of stakeholder requirements, which means that individual items make a small contribution to the overall score. However in this regard, ODA procurement staff stressed that potential suppliers need to score highly on governance (which includes equality policy) at the PQQ stage and also, that to win at the tendering stage, a firm needs to score well across the board, including on equality and diversity issues.

**Figure 2.1 Priority weightings at the pre-qualification stage**

<b>Level 1 (%)</b>	<b>Level 2</b>	<b>Level 3</b>
Governance & compliance (40)	Insurances (Y / N) Statutory compliance (Y / N) Conflict of interest (Y / N) Supply Chain Management (Y / N) Health & safety (8) Environmental & sustainability (8) Quality (8)  Equality & diversity (8)	Health & safety policy (8) Sustainable development policy (4) Environmental policy (4) Quality management (4) Accredited QMS (4) Either: Equal opportunities policy (8) Or: Equal opportunities policy (1.33) Workplace harassment policy (1.33) Reasonable adjustment policy (1.33) Flexible working (1.33) Equality monitoring (1.33) Recruitment policy (1.33) HR policy (8)
	Experience, capability & capacity (xx)	Experience & capability sub-criteria 1 Experience & capability sub-criteria 2 Experience & capability sub-criteria 3

Source: ODA

Note: Percentages indicate maximum scores that can be awarded under each criterion. Under 'experience & capability', criteria are specific to the particular contract. Insurances, statutory compliance and conflict of interest statements are essential to qualification.

### Reported opportunities for SMEs

Most ODA contracts are, and will continue to be, let to large companies due to the scale of the projects. But ODA policy encourages contractors to offer full and fair opportunities to subcontractors, not disadvantaging SMEs and businesses owned by

ethnic minority groups, women and disabled people. ODA staff report that procurement opportunities for SMEs in construction will be mainly at tier three level and below. Small firm subcontractors typically offer specialised products or services as niche suppliers further down the supply chain.

Supply opportunities for smaller firms will, ODA staff maintain, increase in the next 18 months to two years, with many perhaps not arising until late 2009 or early 2010, as supply chains are mobilised for all aspects of the infrastructure. Currently, most opportunities are for first and second tier contractors and are therefore, of high value and out of reach of SMEs. As time progresses of course, fewer opportunities will come from the ODA or from the public sector more broadly; most will come from the ODAs supply chain and will therefore, be private sector procurements. First tier contracts are currently being allocated and it will take time for contract opportunities to cascade through the tiers. The Supply Chain team works with first tier suppliers to identify 'critical' packages of work and to monitor the tender list for capacity and capability. Critical packages may be such because: of their high contract value; they are on the critical path for delivery; of their specialised nature; or because some aspect of delivery might be compromised.

### **2.3 Corporate procurement**

There appears to be more opportunities for small firms to access ODA corporate procurement contracts, than for construction contracts. Corporate procurement constitutes approximately £1/2bn of the ODAs overall budget. Corporate procurement consists of the supply requirements of the ODA itself, including IT and professional services, maintenance, catering, stationery, transport, logistics, cleaning, printing and security services. The Head of Corporate Procurement reported 135 corporate procurements by July 2008, ranging from contracts of £5,000 or less, up to approximately £25m. Since about half of these contracts were reported to be below £25,000, there appear to be good opportunities for SMEs. Examples of small contractors mentioned by ODA respondents, included a specialist assessor of equalities and inclusion practices and a consultant specialising in environmental sustainability assessments. Tenders for certain types of services (for example, catering, taxi and chauffeur services) may reportedly specify that contractors need to be local (for example, to be within a 20 mile radius), thereby presenting opportunities

for local businesses. Although expenditure on corporate procurement is much smaller than on construction, it is likely to be maintained over the life of the ODA, whereas construction contracts will tail off after 6-9 months.

## **2.4 Equality policy and practices**

The ODAs statutory duties with regard to the promotion of equality are set out in Annex C of its procurement policy (Olympic Delivery Authority, 2007a), as well as in its Equality and Diversity Strategy (Olympic Delivery Authority, 2007b), the Race Equality Scheme (Olympic Delivery Authority, 2007c), the Gender Equality Scheme (Olympic Delivery Authority, 2007d) and the Disability Equality Scheme (Olympic Delivery Authority, 2007e). The ODAs public duties with respect to the promotion of race equality arise from the Race Relations Act 1976 (as amended); disability equality arising from the Disability Discrimination Act 2005, and gender equality from April 2007 arising from the Equality Act 2006.

Although the process is in its early stages, the ODA intend to monitor the characteristics of firms employed as contractors beyond the first tier level, including their location, size and ownership (that is, ethnic minority, women-owned and disabled ownership). The effectiveness of monitoring at lower levels of the supply chain must be doubtful, because it is both a complex and resource-intensive task.

### **The ODAs equality duties**

As a public body, the ODA has a general duty and specific duties to promote race equality. The general race equality duties are summarised as the need to: eliminate unlawful racial discrimination; promote equality of opportunity; and promote good relations between people of different racial groups. Its specific duties with regard to race equality are set out in its Race Equality Scheme, together with arrangements for meeting the general duties.

The ODA also has a general duty to promote disability equality, by giving due regard to:

- a) Promoting equality of opportunity between disabled persons and other persons
- b) Eliminating discrimination that is unlawful under the Disability Discrimination Act
- c) Eliminating harassment of disabled persons that is related to their disabilities

- d) Promoting positive attitudes towards disabled persons
- e) Encouraging participation by disabled persons in public life; and
- f) Taking steps to take account of disabled persons' disabilities, even where that involves treating disabled persons more favourably than other persons.

Its general duty with regard to the promotion of gender equality refers to the need to:

- a) Eliminate unlawful sex discrimination and harassment (this includes breaches of the Equal Pay Act, 1970)
- b) Promote equality of opportunity between men and women.

Focusing specifically on procurement, the ODA is committed to equalities and inclusion in its policy (Olympic Delivery Authority, 2007a: paras 7.16-7.18).

Specifically, the policy refers to:

- Promoting equality and inclusion within the ODA and promoting this through its supply chain
- Involving, communicating and consulting effectively with local communities throughout the design, construction and legacy conversion programmes
- Following inclusive design principles for venues, facilities and transport to enable physical access for all
- Working proactively with its contractors and suppliers to provide employment opportunities – including ensuring fair recruitment processes, fair employment terms and decent working conditions – and enable access to training to maximise the legacy of skilled workers arising from the ODAs activities
- Ensuring that the ODAs supply chain management processes are transparent, fair and open to diverse suppliers to enable access to appropriate business opportunities.



The ODA is also committed to contracting with agencies and companies who embrace the ODAs strategy and aims on equality and diversity in performing their role, and who are capable of assisting the ODA in meeting its statutory duties to promote equality. Suppliers' commitment to equal opportunities and diversity will be assessed and monitored. The ODA is committed to ensuring that suppliers adhere to equality and discrimination legislation, and will operate equality monitoring systems to this end. ODA equality and inclusion staff emphasised the intention to use 2012 as a tool to regenerate East London and enable small businesses to participate fully in the supply chain.<sup>4</sup>

In summary, the main ways that the ODA is currently seeking to comply with its public duties with respect to ethnic minorities, women and disabled people are:

- (i) The inclusion of a 'standard' set of equality and diversity questions as part of the balanced scorecard at the PQQ stage, which contribute a maximum of 8 per cent of a firm's total score.
- (ii) The inclusion of equality and diversity questions to assess tenders. The weighting of these questions varies with specific contracts, subject to the agreement of the Head of Procurement. ODA cannot legally require contractors to have an Equalities Policy (in contrast with a Health and Safety Policy) and cannot exclude those that do not.
- (iii) By advertising ODA contracts on the CompeteFor website and by mandating the use of CompeteFor at all tiers, with the exception of contractors with captive supply chains. This refers to situations where bidders specify their suppliers as part of a tender, in order to demonstrate their ability to deliver. Where a captive supply chain is declared, ODA would consider this as part of their assessment.
- (iv) By requiring first tier contractors to use the balanced scorecard approach and by encouraging them to advise their own suppliers to use the model lower down the supply chain.

- (v) By ODA Equality staff working with first tier contractors to promote good practice, both in their own organisations and in their supply chains. This involves an initial baseline assessment, writing an equality action plan to ensure contractors continue to work with these obligations and ongoing monitoring by ODA staff. It is too early to comment on the effectiveness of these processes in practice.
- (vi) By involving ODA staff in events to disseminate information about contract opportunities and procurement procedures. This includes, but is not confined to, the activities of an Outreach Manager, who liaises with ethnic minority groups, women's business organisations and disabled groups. Dissemination events are aimed at a wide range of business groups across the country, including activities targeted at firms in the five host boroughs, and at particular disadvantaged groups.
- (vii) Since most firms owned by members of ethnic minority communities, women and disabled persons, are small, the ODA seek to package contracts to enhance small firm access. For example, the Head of ODA Corporate Procurement reported that the Procurement Team seek to combine similar contracts, which are less than £3,000, in order to include them on CompeteFor and thereby make them accessible to small businesses.

### **Challenges facing the ODA in achieving supplier diversity**

One of the main challenges facing the ODA with regards to procurement is to balance the competing responsibilities placed upon it. ODAs procurement policies and practices have to comply with public duties with respect to race, gender and disability, but they must also comply with EU procurement directives and UK public sector contract regulations with respect to price and quality, as well as ensuring that all infrastructure work is completed on schedule. Senior ODA staff stressed the constraints of operating in a public sector procurement environment, with a need for decisions to be justifiable and auditable, based on objective assessment, and with a requirement that unsuccessful bidders are de-briefed. Value for money and the ability to meet delivery deadlines were reported as key criteria.

ODA staff report they have no scope to positively discriminate in favour of, or to prioritise, businesses owned by ethnic minority groups, women or disabled people, or local businesses. Instead, the approach is to seek to ensure that such businesses have an equal opportunity to bid for ODA contracts. More scope exists for incorporating contract requirements that may favour local firms for example, with contracts below the OJEU threshold, such as taxi or limousine services.

From an ODA perspective, implementing supplier diversity (with respect to small firms in general and ethnic minority, women and disabled-owned firms in particular) in practice presents a number of challenges, including finding firms 'fit to supply'. ODA procurement staff referred to many small firms lacking the required supporting documentation for example, with respect to health and safety, quality assurance and equality policies. Also relevant are the effects of size per se, since businesses cannot tender for public sector contracts whose value is greater than 25 per cent of their annual turnover, without a Performance Bond or similar guarantee. The reason for this is to prevent a business from becoming too reliant on any single client and therefore suffering as a consequence of a contract coming to an end. It also ensures that clients are not over-exposed to financial failure.<sup>5</sup>

Knowing what ethnic minority, women and disabled-owned firms can supply was also reported to be difficult because of limited information about firms' products and services, ownership and location. Even established ethnic minority organisations were reported to have limited information about members' products and services, contributing to a shortage of information about supply side capability. ODA staff also referred to the absence of data on business ownership and sector. Such data would provide a benchmark against which to assess their performance regarding supplier diversity, as well as helping to identify potential suppliers.

## **2.5 The CompeteFor website**

The main mechanism for SMEs to find out about Olympic Games contracts is the CompeteFor website. The portal, launched in January 2008, is a pre-procurement brokerage tool enabling purchasers to advertise contract opportunities, suppliers to express an interest in those opportunities, and to match the two.<sup>6</sup> The operation of CompeteFor, is one of the important influences on whether Olympic Games

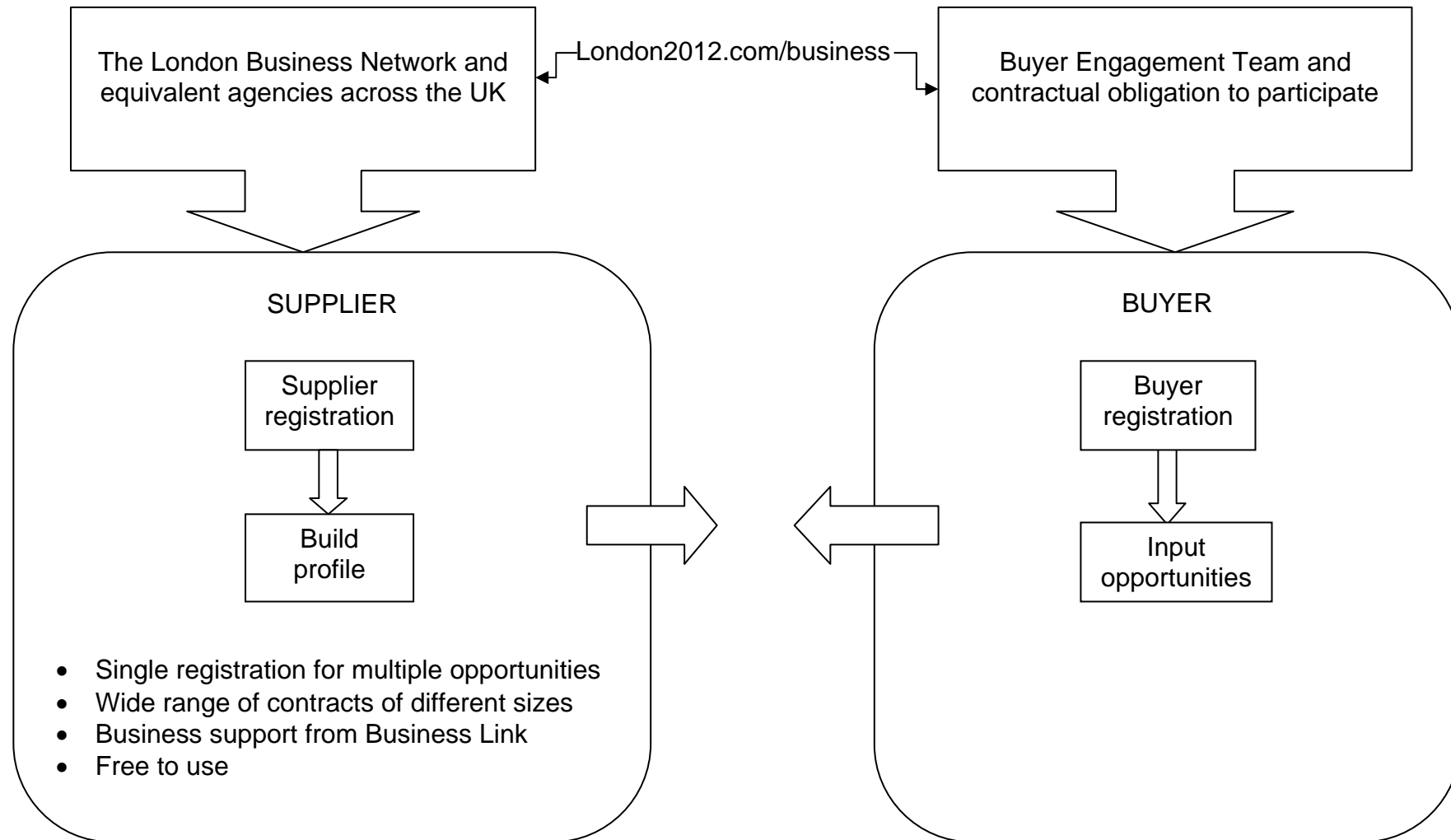
procurement is benefiting businesses in the five host boroughs – SMEs in general, and those owned by ethnic minority groups, women or disabled people in particular. In this section, we focus on the following issues: how businesses find out about CompeteFor; how businesses use CompeteFor; and CompeteFor outcomes so far. Figure 2.2 presents a brief description of supplier and buyer processes – derived from LDA sources – from becoming aware of the CompeteFor website, through to contract award from the perspective of the small business owner. A more detailed view is available in Appendices 1 and 2.

### **Finding out about CompeteFor**

London business owners may find out about CompeteFor through their own networks or through dissemination events run by London Business Network and the ODA.<sup>7</sup> The ODA, along with other organisations, have actively sought to engage with business networks through events to disseminate information and to encourage take-up of CompeteFor. ODA procurement staff emphasised national as well as local obligations with regards to dissemination and outreach activities, since all English Regional Development Authorities (RDAs) and devolved administrations contribute to the funding of CompeteFor. These bodies expect to be included in the ODAs programme of dissemination workshops and ‘meet the buyer’ events. The ODA employ a Business Outreach Manager whose role includes informing SMEs about CompeteFor and its procedures.

### **Using CompeteFor**

For SMEs to benefit from using CompeteFor, and put themselves in a position to pursue advertised contract opportunities, there are a number of steps to take. First, businesses must register on the portal by providing basic business information such as business name, address and contact details. Registered businesses can view advertised contract opportunities and can express an interest in them without having completed and published their business profile, but they will not be automatically matched to opportunities, receive email alerts or referred to Business Link for support.

**Figure 2.2 Supplier and buyer processes**

Second, businesses complete a business profile; these are described as published organisations. This step requires business owners to submit detailed information on business activities, sales and employment and to meet the business readiness criteria (having a health and safety, equality and diversity, and a quality assurance statement in place). Firms are also requested to submit information on insurances and policies, financial data and ownership characteristics (but these are not disclosed). Buyers cannot therefore, use ownership characteristics to favour or disadvantage particular firms. For businesses who publish their profile and do not meet the business readiness criteria, Business Link is notified automatically and required to contact the business within 24 hours.

Third, buyers advertise contract opportunities on CompeteFor, to solicit expressions of interest from potential suppliers. The ODA has been the dominant single source of advertised opportunities so far but approximately 80 buyers use the system, including the London Organising Committee of the Olympic Games (LOCOG), LDA, and others. A Buyer Engagement Team has been active in encouraging potential purchasers at all levels in the supply chain to advertise contract opportunities on the CompeteFor portal. This work is now picking up momentum as the ODA works with first tier contractors to develop the supply chain.

The ODA require contractors at all tiers to post contract opportunities on CompeteFor, except where they have a captive supply chain in place. Prospective suppliers are alerted by email, of contract opportunities which match their profile for supply and are invited to apply by completing an online form. Businesses are then shortlisted according to the weighting buyers attach to particular questions. Unlike tenders issued by public bodies that are subject to OJEU rules, supply chain buyers can weight in favour of aspects such as location or other such elements not available to the ODA under the legislation that applies to Government procurements. Buyers may reweight questions in order to generate a revised shortlist. Firms cannot be identified until the shortlist is closed. Buyers may invite any, or all shortlisted suppliers identified through CompeteFor to tender formally through their own procurement systems, although they are under no obligation to do so. The ODA operate their own e-tendering system; other buyers use their own tendering

procedures. Buyers may also invite suppliers not identified through CompeteFor, to submit a formal tender.

The London 2012 business network ([www.london2012.com/business](http://www.london2012.com/business)) also publishes the names of every first tier contractor. Firms seeking to supply these contractors may use this site to identify ODA contractors with a view to marketing their own goods and services to them. ODA staff report that prospective suppliers are encouraged to think more broadly than CompeteFor as a means of identifying contract opportunities and of seeking to influence buyers' contract specifications. This message is provided at ODA engagement meetings and in the ODA Supplier Guide (Olympic Delivery Authority, 2008b), a document whose purpose is to provide useful information to suppliers and contractors interested in opportunities. These include 'meet the buyer' events, enabling would-be suppliers to discuss product and service ideas with potential buyers.

### **CompeteFor outcomes**

Table 2.1 shows that 32,964 companies had registered on CompeteFor by 19 September 2008.<sup>8</sup> Of these, 10,273 were located in London and 2,113 in one of the five Olympic boroughs, with firms in Tower Hamlets the most strongly represented. LDA indicated that the aim is to have 30,000 London businesses registered by April 2009 and to have 40 per cent of those winning Olympic Games contracts. However, less than half of the London firms registered have published profiles. The question of why so many registered firms are not published is unresolved. One view is that these firms are not serious about seeking contract opportunities. Alternatively, these firms may be those in most need of support, because by registering they appear keen to seek contract opportunities but have not placed themselves in a position to express an interest. The LDA is currently working with Business Link to discover why registered businesses do not complete their business profile, with a view to encouraging more firms to publish. Of all published businesses as at 19 September 2008, 8 per cent are reported to be ethnic minority-owned, 9 per cent women-owned and 1 per cent owned by disabled people.

Data for the five boroughs shows that a number of firms in the target groups are published (Table 2.2). More than 300 ethnic minority-owned firms in the five

boroughs, and almost 300 women-owned firms, are published and therefore, able to express an interest in advertised contract opportunities. Looking at London as a whole, the numbers of published businesses in the three target groups are 4-5 times greater.

**Table 2.1 CompeteFor, businesses registered: September 2008**

<b>Location</b>	<b>No. of firms registered</b>	<b>No. of firms with profiles</b>	<b>% of registered firms with profiles</b>	<b>No. of contracts awarded to a CompeteFor short-listed supplier</b>
Greenwich	268	123	46	0
Hackney	486	199	41	7
Newham	391	166	41	2
Tower Hamlets	658	325	49	1
Waltham Forest	310	128	41	4
5 Olympic boroughs	2113	936	44	14
London	10,273	4553	45	No data
Total	32,964	No data	No data	54

Source: LDA

Notes: As at 19 September, 2008

The LDA have no particular targets with regard to registration or completion of a business profile for firms owned by ethnic minority groups, women and disabled people. In London as at 3 October 2008, 10 ethnic minority-owned firms have won contracts, five of them in the five host boroughs. Five women-owned businesses in London have won contracts identified through CompeteFor, but none in the five boroughs. For businesses owned by disabled people, there has been one contract winner in London and none in the five boroughs. Given the early stage reached so far in the run-up to 2012, it is perhaps not surprising that so few firms have won contracts – only 103 have been awarded to a CompeteFor shortlisted supplier as at 3 October 2008.



Four small firms with fewer than 50 employees, in the five boroughs have won contracts as at 15 October 2008 – 18 in London as a whole and 38 in total. For medium-sized firms the figures are three businesses in the five host boroughs, nine in London, and 18 in total.<sup>9</sup>

**Table 2.2 CompeteFor, published organisations: October 2008**

<b>Location</b>	<b>Ethnic minority owned firms</b>	<b>Women owned firms</b>	<b>Firms owned by disabled people</b>
Greenwich	49	34	6
Hackney	62	77	6
Newham	75	46	5
Tower Hamlets	86	91	6
Waltham Forest	55	45	4
5 Olympic boroughs	327	293	27
London	1,288	1,425	122

Source: LDA

Notes: As at 3 October 2008. Individual firms may be included in multiple categories.

LDA have no targets for the number, or proportion of contracts to be won by CompeteFor shortlisted suppliers. Up to July 2008, CompeteFor shortlisted suppliers won 67 of 135 ODA corporate procurements. The figure is depressed by the fact that some contracts were below the £3,000 threshold for competitive tendering<sup>10</sup> or above the OJEU threshold, and because supplier engagement was at a much earlier stage at that point. Larger contracts may be posted on CompeteFor to alert potential bidders, but must also be advertised through the OJEU in order to comply with EU Competition Policy rules.

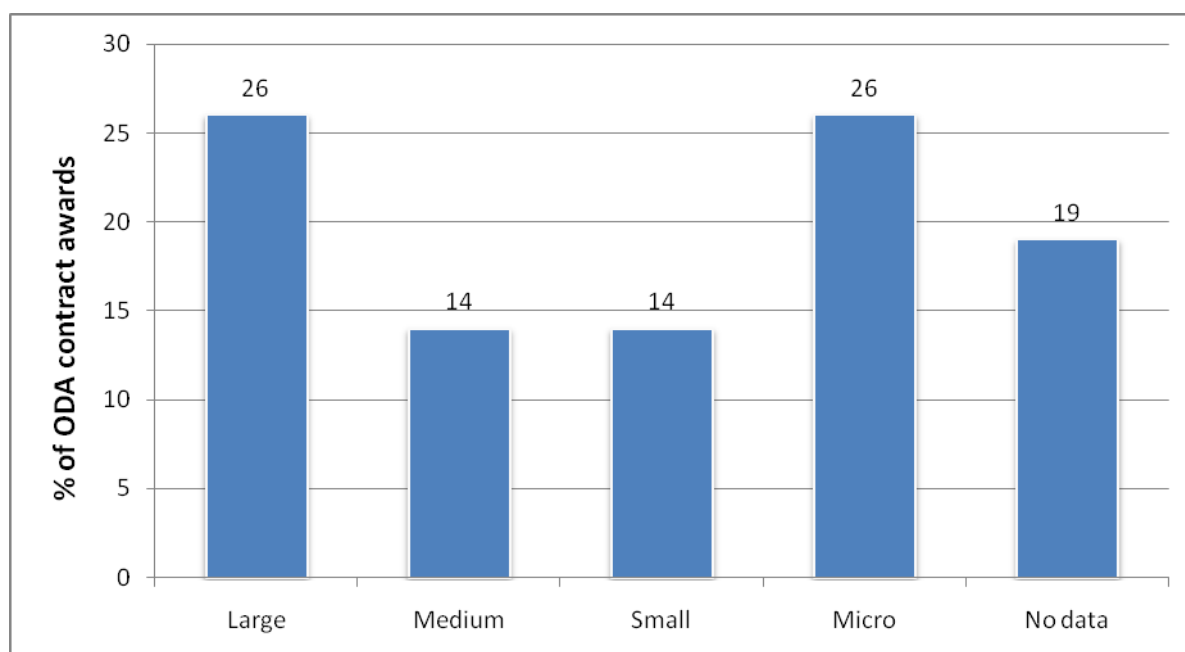
Any firm registered on CompeteFor is able to access support from Business Link. Specialist assistance can be particularly important for small firms seeking contracts, as they often need help to comply with the documentation required to support a contract bid. This emphasises the importance of Business Link (and its partners) being able to attract clients from all sections of the SME community, including ethnic minority, women and disabled person-owned businesses.

To summarise, although there is a long time to go before 2012, there is evidence that take-up of CompeteFor is increasing on a daily basis. Any assessment of CompeteFor processes and outcomes at this stage should be treated as formative and subject to reconsideration over time. There is some evidence that businesses in the five host boroughs, including SMEs and firms owned by ethnic minority groups, women and disabled people are using the system. Given the point in the procurement cycle, it is perhaps not surprising that few of these businesses have won contracts so far but it does suggest that much work remains to be done if the benefits of London as a host city are to reach large numbers of firms in the five Olympic boroughs.

## 2.6 ODA contracts let

There is no fixed total number of contracts to be let by the ODA, because contracts may be bundled into more / fewer packages as procurement teams strive to achieve best value. ODA data shows that by the end of August 2008: 759 contracts had been let to first tier contractors; 54 per cent to micro firms or SMEs; 27 per cent to large firms; and the rest are either undisclosed or awaiting confirmation (Figure 2.3).

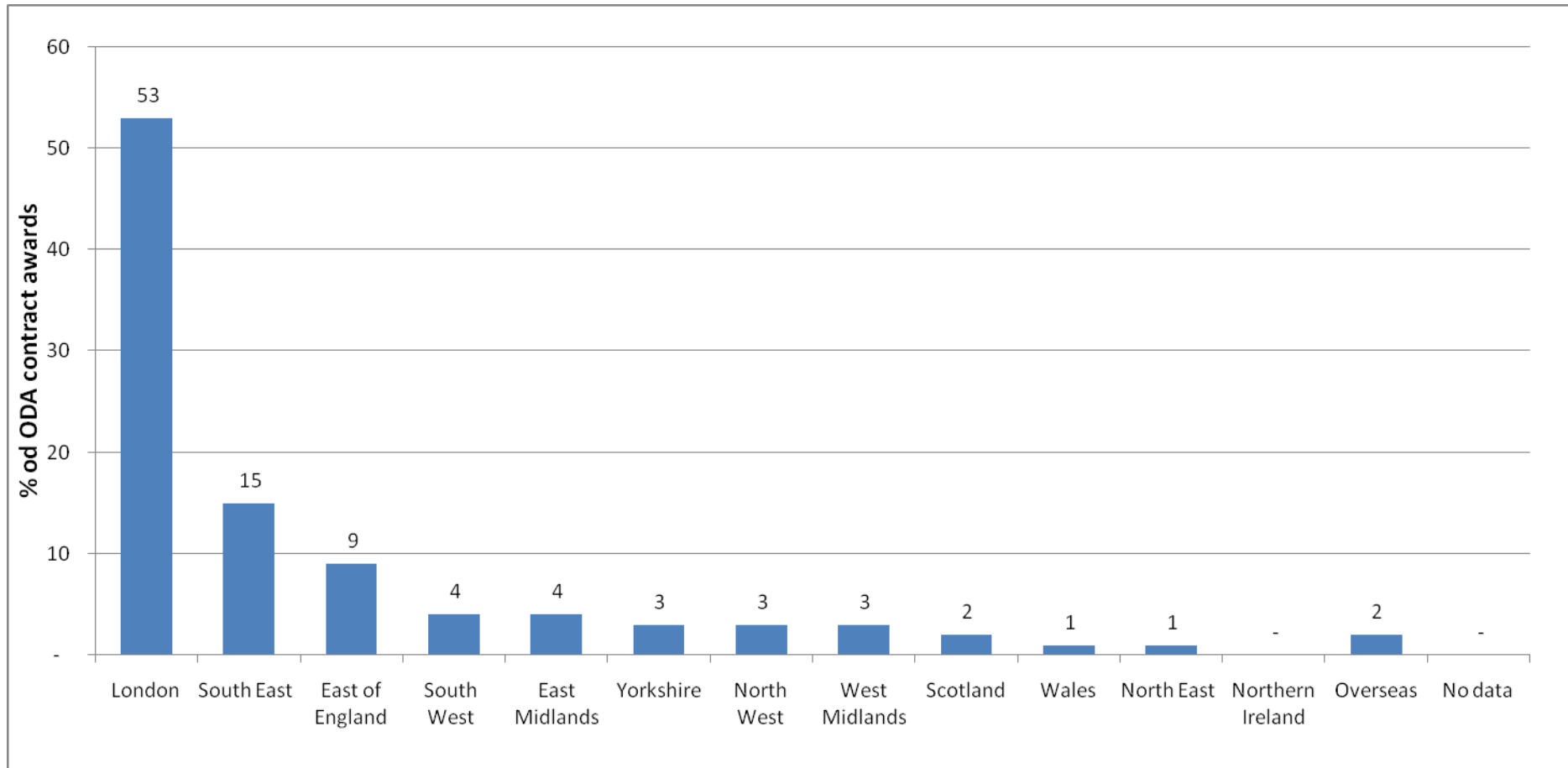
**Figure 2.3 ODA suppliers by business size (August 2008)**



Source: ODA  
Base: 759

In terms of geographical distribution, the majority of first tier suppliers are located in London (53 per cent) or the South-East region (15 per cent) (Figure 2.4).

**Figure 2.4 ODA suppliers by regional development authority (August 2008)**



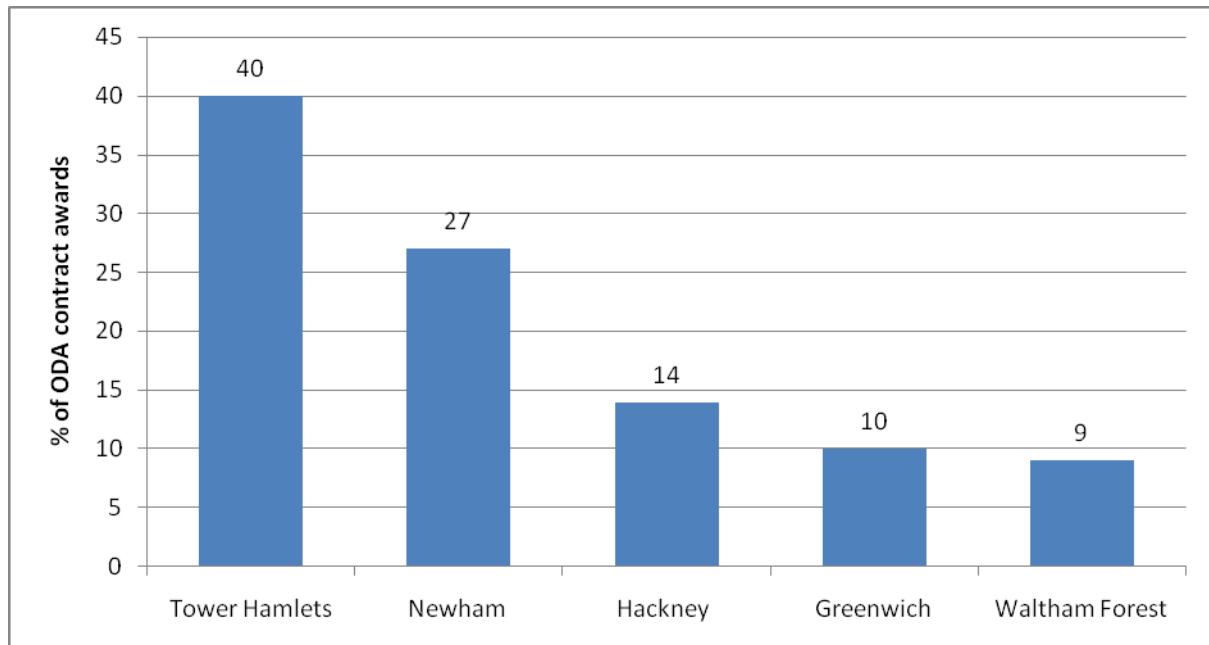
Source: ODA

Base: 759

Notes: Both 'Northern Ireland' and 'no data' include cases but do not sum to at least 1 per cent.

Within London, 22 per cent of all contracts have been awarded to firms located in one of the five Olympic boroughs, with firms in Tower Hamlets and Newham winning two thirds (Figure 2.5).

**Figure 2.5 ODA suppliers in the five Olympic boroughs (August 2008)**



Source: ODA

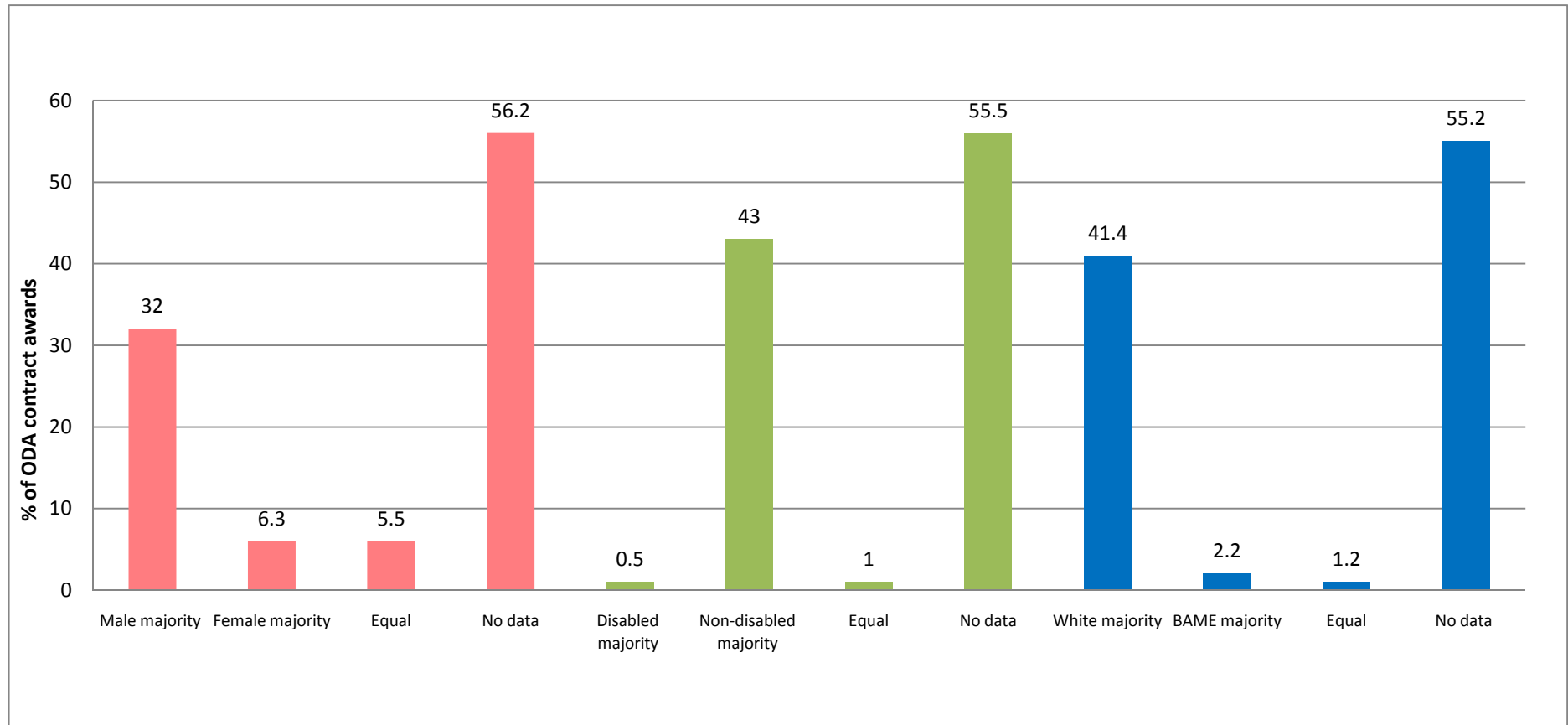
Base: 92

In terms of ownership characteristics (that is, ethnicity, gender, disability), there are a large number of 'not known' responses (approximately 50 per cent for each category). This makes any interpretation potentially misleading (Figure 2.6), although since firms can choose whether or not these data are included, the deficiency cannot be blamed on CompeteFor or the ODA.

## 2.7 Experience of first tier contractors

Three first tier contractors (all large construction companies) were interviewed in order to investigate three aspects of their experience and practices with regard to contracting with the ODA, namely: their commitment to equality and diversity policy; their experience of finding and working with small suppliers; and their experience (if any) and plans with respect to subcontracting ODA-related work.

**Figure 2.6 ODA suppliers by ownership characteristics (August 2008)**



Source: ODA

Base: 759

## **Equality and diversity policies**

First tier contractors are expected to have an equality and diversity policy and to encourage their suppliers to do the same. Although the first tier contractors that were interviewed have such policies, none have a supplier diversity policy as such. Two reported developing a policy, whilst the third referred to supplier diversity being subsumed within their general equality and diversity policy. The two contractors developing supplier diversity policies took different views as to the scope and objectives of their policies. One took a broad view with objectives to: (i) monitor supplier diversity, including the tendering process; (ii) make suppliers aware of opportunities; (iii) remove any barriers to diverse suppliers; and (iv) encourage direct and indirect suppliers to deliver these three objectives (First tier contractor 1). The other contractor's main objective of their future supplier diversity policy was to trade with ethical suppliers, guiding them and ensuring that they will achieve their ethical and environmental objectives, as well as having employee diversity policies (First tier contractor 3).

These first tier contractors are trying to navigate in unknown areas, needing time to adjust their operations to new requirements, although all claimed benefits of having policies in place and encouraging suppliers to have them as well. Benefits included winning future ODA contracts, demonstrating corporate responsibility and working with local communities. First tier contractors are also trying to establish processes to monitor supplier action on equality, but this is difficult where suppliers do not provide relevant information. One considered working with suppliers to ensure that they understand, and have an equality and diversity policy in place, to be particularly challenging.

## **Finding small suppliers**

All three contractors expressed a willingness to support small businesses and to mentor local firms to help them to enter mainstream supply chains. Referring to their current practices, two of the three mentioned their own supplier lists – which means those they have worked with in the past, and thus they have a demonstrated track record. One respondent referred to the use of 'Vendor Accord' agreements whereby client companies work with an approved list of contractors on a nationwide basis (First tier contractor 2).

CompeteFor appears to be under-used by these first tier contractors, although all reported an intention to use it more in future, and to encourage suppliers to do so. It is reported that the ODA are due to start to publish a league table of the use of CompeteFor by contractors, initially at the tier one and two levels. Nevertheless, only one of the contractors interviewed reported using the portal at the time of interview (CompeteFor had been used to find a supplier), although the respondent complained that shortlisted candidates had been notified too quickly, making it difficult to deal with their enquiries, because tender documents had still to be prepared. Other ways of engaging with small suppliers included working with Supply London or East London Business Place. All interviewees agreed that opportunities for small firms are only to be found at lower tiers in the supply chain, so they are encouraging their suppliers to engage with small firms.

Two contractors reported requiring highly specialised services, which constrains the number of firms able to supply. Many small firms are perceived as lacking the required capacities in terms of workforce, turnover or technology. As a result, contractors prefer to use their own approved suppliers (First tier contractor 3).

### **Subcontracting related to ODA contracts**

None of the first tier contractors interviewed has yet subcontracted to small local businesses. First tier contractors reported a willingness to engage with small firms and disadvantaged groups and to help them enter mainstream supply chains, but provided no evidence of anything more than good intentions. It should be emphasised however, that it is still early days and some of these issues may be addressed when contractors have operational supplier diversity policies, with systems in place to monitor implementation.

## **2.8 Key points**

ODA:

- The Olympic Delivery Authority's approach to procurement represents a significant attempt on the part of a public body to engage with diverse small firms. At the same time implementing supplier diversity is challenging for the ODA. The ODA is governed by a framework of UK



and EU regulations and has to balance a number of competing pressures, including achieving best value and timely delivery, as well as meeting equality obligations. The ODA cannot award contracts to businesses where their value is greater than 25 per cent of annual turnover. Moreover, the lack of detailed data on actual and potential suppliers – their size, products, and especially ownership characteristics – makes it difficult to assess whether small businesses in general and those owned by ethnic minority groups, women and disabled people in particular are under-represented in the ODA supply base.

- The ODA cannot positively discriminate in favour of, or prioritise, businesses owned by ethnic minority groups, women or disabled people or local businesses. Instead, the ODA seek to ensure that all businesses have an equal opportunity to find out about, and seek ODA contracts. Smaller contracts may include requirements that favour local small firms, and indirectly, firms owned by ethnic minority groups, women and disabled people.
- The ODA can require contractors at first tier level to advertise contract opportunities on CompeteFor, where they do not have a captive supply chain. Below the first tier, the ODA can only encourage the use of CompeteFor, as the ODA does not contract directly with such suppliers. The ODA can also mandate the use of the balanced scorecard approach among their first tier suppliers. Against this, ODA cannot exclude firms at the PQQ stage if they do not have an equality policy. However, most opportunities for SMEs are expected to come at lower levels in the supply chain, where the ODA is not the contracting buyer. This is a significant limitation since most ethnic minorities, women, and disabled-owned businesses are small firms.
- Monitoring contracts awarded and sub-contractors' characteristics is a complex and resource-intensive task. The ODA does not, arguably, have sufficient resources to undertake monitoring at tier two and below

effectively. The ODA only take a close look at critical work packages at this level.

- The main mechanism for SMEs to find out about ODA contracts and those of its contractor's, is the CompeteFor website. How the site operates in practice has an important influence on whether the ODAs procurement practices benefit businesses in the five host boroughs, SMEs in general, and those owned by ethnic minority groups, women or disabled people in particular. More than 30,000 firms are registered but fewer than half are published and able to express an interest in advertised contract opportunities. However, in view of the small number of contracts let to CompeteFor shortlisted suppliers so far, it is too early to comment on its effectiveness and overall impact.

First tier contractors:

- Interviews with a number of first tier contractors, pointed to the difficulties facing the ODA in: disseminating good equality and diversity practices down the supply chain; encouraging the use of CompeteFor; and implementing effective monitoring. Two of the three contractors interviewed have captive supply chains and whilst knowing about CompeteFor, there was little direct experience of using it. Based on the interview evidence, any move to increase supplier diversity is in the future, as far as these contractors are concerned.

### 3. THE SME DIMENSION

In this chapter, we report the experiences and views of small business owners in the target groups (ethnic minorities, women and disabled people) and a range of intermediary organisations with regard to ODA procurement. We sought to construct a sample of businesses and organisations with a particular presence in, or focus on, the five host boroughs. However, the challenges of finding sufficient numbers took us beyond the boroughs, and on occasion, outside London. Given the small sample sizes, we do not claim that the views presented are ‘typical’ or ‘representative’ of business owners or intermediaries in the capital, and generalisation to the broader groups from which these samples are drawn should only be undertaken with caution. The findings presented should be seen as indicative of the range of views held by both business owners and intermediary bodies beyond those studied here.

Quotations are used to highlight issues raised by respondents, which in some cases reveal some confusion of the pre-qualification and procurement practices used by the ODA. In presenting the findings, the aim is to identify issues that those responsible for Olympic Games procurement may need to consider to improve access to contract opportunities for businesses in the five host boroughs, SMEs in general, and firms owned by ethnic minority groups, women and disabled people in particular, including the dissemination of information. To conclude, we summarise the key points.

#### 3.1 Intermediaries

In this section, we discuss the views and experiences of business intermediaries with regard to ODA procurement. Intermediaries include business associations representing, and supporting particular groups and public sector organisations involved in business support (see Appendix 3 for the full list). The business associations operated in London, though only some of them had a presence in the five host boroughs for example, Hackney Business Ventures. To this extent, business associations varied in the range of their contacts with small business owners in the five boroughs. A number of associations were organised on ethnic / national lines.

Intermediaries offered a range of views regarding:

- The perceived opportunities for business owners in the target groups arising from the Olympic Games
- Links to the ODA and awareness of CompeteFor and contract opportunities
- Perceptions of barriers faced by target group businesses in winning Olympic Games contracts
- Outcomes in terms of Olympic contracts won, tendered for, and unsuccessful bids.

### **Perceived Olympic Games opportunities for businesses in the target groups**

Intermediaries reported a range of views of the 2012 Games as a source of possible opportunities for businesses in the target groups. Some were positive about the prospects for businesses, while others predicted negative outcomes as more likely. Several intermediaries acknowledged that small firms might benefit from being able to bid for contracts, but often qualified their comments by claiming that: first, the number of opportunities might be limited; second, opportunities would be available to some kinds of small businesses, but not all; third, opportunities may arise from increased tourism and other activities in the period leading up to and during the Games, rather than from opportunities posted on CompeteFor; and, fourth, most opportunities would not come on-stream until much closer to 2012. Even those reporting possible benefits did not place too much weight on the Games. Several associations emphasised that the Games was only one source of potential opportunities for member / client businesses. Others emphasised possible opportunities arising from links with other public sector organisations – unconnected with the Games – and from other London developments such as Stratford City.

Critical views with respect to possible business opportunities, were more likely to be reported by organisations with no contact with London Business Network or other bodies promoting supplier diversity, suggesting that exposure to the 'CompeteFor message' may mitigate some of these concerns. A number of respondents were concerned that the Games might generate negative outcomes for small businesses in the five boroughs. Some claimed to detect a 'Games effect' on local property rents and prices that might force local businesses to relocate out of the borough or worse,

to close (see also New Economics Foundation, 2008). To the extent that such consequences do occur, the prospects for many local businesses might be worse rather than better as a result of London being the host city. Rather than providing a boost to local firms, the Games might simply lead to their displacement by large retailers and other corporates who are able to pay the inflated rents. Interestingly, some respondents identified possible benefits for the resident populations in the five boroughs in terms of employment – although there was considerable scepticism in this respect also – but less so in terms of business opportunities for local firms.

### **Links to the ODA and awareness of CompeteFor and contract opportunities**

Business associations varied in the nature and extent of their links with the ODA. All reported knowledge of the ODA and their outreach and dissemination activities, and most were familiar with CompeteFor and its aims. Many organisations had either contacted London Business Network, or been contacted by them, and a number had hosted CompeteFor, Supply London or other procurement events. In other cases, details of events hosted by other organisations had been circulated to members / clients. Several intermediary respondents reported encouraging member / client businesses to register on CompeteFor. Others reported forwarding CompeteFor contract email alerts to businesses they believed might be interested, in order to encourage them to register and complete a business profile.

Intermediaries expressed a wide range of views about the activities of bodies responsible for Olympic Games procurement: some favourable, some critical, and often the two in combination. Favourable views centred on: the idea of the CompeteFor website as a means of enabling SMEs to seek Olympic contract opportunities; its user-friendliness in practice; and the variety of procurement events disseminating information about contract opportunities, using CompeteFor and the actions businesses needed to take in order to get the most out of the website. Such comments were often short and constituted a preamble to more mixed views, qualifying the favourable view initially outlined.

Intermediary representatives were also critical of a number of aspects of Olympic Games procurement. These critical comments are discussed more fully, not because they are argued to be more typical of intermediary bodies' views, but rather because

they raise issues that need to be recognised and possibly addressed by the ODA and its partners. Our primary research aims are to consider whether ODA procurement has opened up opportunities to SMEs in the five host boroughs in general, and firms owned by ethnic minority groups, women and disabled people in particular – hence our focus on business owners' and intermediaries' perceptions of ODA policies and practices. First, some intermediaries were critical of the attempts made to publicise the CompeteFor portal, and the associated contract opportunities and activities to encourage SMEs to become fit to supply. A number reported that no-one had contacted them to notify them of events. This might reflect, in part, the large number of associations in the capital and the difficulty of contacting them all.

A second set of concerns centred on the CompeteFor website. Some respondents felt the website was difficult and / or time-consuming to navigate and that this would deter SMEs from registration. For business owners used to securing new business through word-of-mouth and who were unfamiliar with formal procurement practices, the language used and the processes involved were quite alien and likely to discourage. The requirements to have a range of formal, written policies and documents in place and to provide certain financial information that some may consider sensitive, might also deter registration and the completion of a full business profile – without which, firms cannot express an interest in advertised contract opportunities. Intermediaries' maintained that many SMEs cannot 'tick all of the boxes' to render themselves fit to supply. One respondent pointed out that many ethnic minority-owned businesses did not possess a PC and would thereby be excluded from the process.

Some intermediaries felt that small firms had very little chance of winning contracts following shortlisting on CompeteFor and consequently, that it was 'not a genuine attempt to engage SMEs'. One claimed to have been told by a large purchaser that although opening up opportunities to SMEs is encouraged, it is not something they welcome or genuinely try to implement. Larger suppliers with a longer track record are strongly preferred. Subcontracting to SMEs is too much hassle for larger contractors. Consequently, the respondent reported discouraging SMEs from seeking Games-related contracts.

One specific issue is related to the supply of innovative products, for which no contract opportunity currently exists on CompeteFor. One intermediary pointed out that as CompeteFor is a vehicle for buyers to post contracts and shortlist potential suppliers, the way it currently operates, provides no channel for suppliers to communicate with potential purchasers where there is no specific contract for their products. Such opportunities might never arise on CompeteFor because no-one has ever thought of them. The product innovation itself generates the demand. Many business owners had reportedly approached this particular respondent inquiring how they might develop and exploit their novel product ideas. To some extent, the issue is ameliorated by the existence of Industry Days and 'meet the buyer' events, which the ODA contribute to as part of their business outreach activity – although based on feedback from business intermediaries, these need to be promoted more widely.

One respondent reported that although his organisation was happy to disseminate information on behalf of CompeteFor and other public procurement initiatives, they were keen not to raise unrealistic expectations among their client group, comprising predominantly micro businesses. Rather, firms were encouraged to consider capitalising on the increased number of visitors from different cultures attending the Games, rather than seeking to win contracts as a CompeteFor shortlisted supplier.

### **Perceived barriers to participation faced by firms in target groups**

Intermediaries identified a number of possible barriers to small businesses being able to win Olympic Games-related contracts. First, they recognised that small firms might not be suitable for such contracts. Many operate in sectors for which there will be few, if any contracts for example, hotels, bars and restaurants. Furthermore, many SMEs simply lack the capacity to win and deliver Games-related contracts. Clearly, this relates to the size of contracts, but without proper preparation and business support, many SMEs, they argue, are engaging in wishful thinking to believe they can win contracts. 'Fledgling' businesses lacking three years trading history are unlikely to win contracts, because a track record of successful delivery is a key factor influencing purchasers' choice of suppliers. New businesses will need to join consortia if they are to overcome this hurdle. Participation in procurement events might enhance firms' capacities to tender for public contracts, although time constraints might prevent them from taking part.

Turning to barriers external to the business, intermediaries made a number of points. First, there was recognition that many contracts, particularly for infrastructure projects, are simply too large for small businesses to take on. This is particularly the case at this point in the procurement cycle. Respondents acknowledged that if there are to be opportunities for small firms, these are likely to materialise closer to 2012 at lower tiers in the supply chain. Second, several respondents were wary of claims that opportunities would be abundant even at lower levels of the supply chain because larger contractors already had captive supply chains in place. SMEs may find it difficult to secure opportunities even at the sixth and seventh tiers unless they are already known to contractors. Under pressure to deliver on time and within budget, contractors, even at lower tiers, are likely to turn to existing suppliers. Contractors will not want to risk their reputations and possible future contracts by choosing suppliers whom they do not know on such a high-profile project. Pursuing supplier diversity goals (and others such as environmental sustainability) were perceived by intermediaries as extra burdens for purchasers in choosing suppliers and unlikely to deter choosing trusted, familiar suppliers.

Third, CompeteFor registration and expressing interest in specific contract opportunities were perceived as possible barriers to small firms. The registration process has been discussed earlier; here we focus on the procedure for expressing an interest in specific contracts. There was concern that the very short period permitted to those wishing to express an interest (sometimes as short as a couple of days) might exclude many SMEs. It was suggested that such short timescales might give the impression that the purchaser was simply presenting an appearance of opening up opportunities, when in fact, contracts had already been let. Whether or not this is true in the examples cited, is perhaps less important than the perception it creates. If firms perceive contract opportunities as not genuine, this may lead to cynicism and withdrawal from the portal. London Business Network accepted that the 4-5 day period between posting of a contract opportunity on the portal and closure of the shortlist was inadequate to allow most small firms to submit an expression of interest.

At the time fieldwork was undertaken, very few intermediaries knew of contract winners or firms that had unsuccessfully sought contract opportunities through



CompeteFor. The number of firms known to be aspiring to win contracts was higher, but many of these could not genuinely be described as actively pursuing Games-related contracts; rather, they were considering whether to seek such opportunities.

In summary, business associations held mixed views about the potential benefits of the Olympic Games for their small business members / clients. Most recognised that commercial exploitation of Games-related opportunities was possible for at least some kinds of businesses but they remain to be convinced that the benefits will filter down to large numbers of firms they represented or supported. The CompeteFor portal was also seen as a mixed blessing. While there are a number perceived advantages in such a system, intermediaries perceived little concrete evidence so far of successful outcomes in terms of contracts awarded, and many were similarly cool about the prospects for small firms.

The representativeness and membership of these networks has a major influence on the information available to individual enterprises, including ethnic minority groups, women and disabled people. There is an important potential role for intermediaries in helping appropriately qualified firms to identify and respond to contract opportunities, although which SMEs are alerted depends on the local knowledge of particular outreach workers in business support organisations.

### **3.2 Ethnic minority groups, women, and disabled business owners**

A sample of small enterprises located as far as possible in the five host boroughs, was constructed to investigate the views and experiences of owners with regard to Olympic Games opportunities. Specifically, the focus was on small businesses, particularly those owned by ethnic minority groups, women and disabled people. Owing to the small number of businesses in the five boroughs with any involvement in Games-related contracts, the sample included firms located outside the five boroughs (and even outside London) and a small number outside the target groups. The sample consisted of 31 small business owners, including:

- 6 contract winners
- 4 unsuccessful contract seekers

- 21 aspirers – those considering seeking contracts but who have not yet done so.

Data was obtained in individual interviews (face-to-face and telephone) and in a focus group held with women-owned businesses based in, and around Newham. Businesses were recruited to the sample through the ODA, business intermediaries, and from procurement events held in London.

Data are presented separately for contract winners, firms that have not been successful, and aspirers on each of the following issues, as appropriate: motives for expressing an interest in Olympics Games contracts; how they found out about contract opportunities; views on CompeteFor processes; the business support available to enable firms to access contract opportunities; and the barriers experienced by CompeteFor users. We begin with contract winners.

### **3.3 Contract winners**

Six contract winners were interviewed in a range of business activities, including events production, training, consultancy, translation services and water supply services. Businesses employed 2-12 full-time staff and five of the six reported using outside contractors when needed. The contracts won varied from £3-25,000 in value. None of the contract winners were located in the five host boroughs. Five were based in Greater London with one in Scotland. Three owners were white.

#### **Motives for seeking Olympic Games contracts**

Importantly, all six contract winners had previously won public sector contracts. This highlights the importance to purchasers of prior experience in working for public sector organisations. Two respondents reported undertaking previous subcontract work for the ODA and this encouraged them to seek further contracts. For those winning a contract for the first time, the ODA contract was perceived as good for the business. One owner mentioned that his firm had the right skills and qualifications to deal with public sector clients.

### **Finding out about contract opportunities.**

Contract winners drew upon existing links with business / trade associations as a means of finding out about contract opportunities. Several had attended procurement events and were aware of the statutory requirements placed on suppliers.

Respondents stressed the need to keep up-to-date by accessing web portals regularly. Owners reported using three: CompeteFor, Supply2Gov and BiP Solutions.

All six contract winners were aware of CompeteFor and all but one was registered. Two were registered on Supply2Gov and two on BiP. Four found out about ODA contracts through CompeteFor and two also found out about them through Supply2Gov. Two felt that the CompeteFor portal was an efficient way for them to find out about public sector contracts, via the email alert service. The business not registered on CompeteFor found out about the ODA contract through a BiP email alert. Only one business did not discover the contract opportunity they ultimately won via CompeteFor. The business had worked for the London Development Agency (LDA) previously and was invited to bid for the ODA contract along with two other businesses.

### **Using CompeteFor**

Prior experience of bidding for public sector contracts gave respondents an advantage when seeking to win ODA contracts. All were comfortable using CompeteFor, although previous research suggests small firms experience this as a barrier to seeking public sector contracts.<sup>11</sup>

*I found it pretty straightforward; it didn't take long. That was partly because I had already gone through it all with BiP self-accreditation ... I think the whole area of bidding for contracts<sup>12</sup> is actually quite a complex one. We've been successful in a high level of bids that we've gone for. Being small, obviously people look at our turnover and you sometimes feel that might be a disadvantage ... But, having said that, we've done pre-qualifications for lots of people successfully. (Contract winner 1)*

Business owners also remarked on the convenience for small firms provided by the CompeteFor portal:

*The initial process for everyone is it looks a bit challenging, but after you feel your way around I think it's a wonderful idea... it's one place, one stop. It makes life much easier for small businesses to compete with large organisations. Large organisations have a full-time staff member to look for tenders, but if you are a small business, then you don't have that luxury. (Contract winner 2)*

Another potential barrier for small firms seeking public sector contracts is the need to comply with a raft of statutory requirements such as having particular policies and documents in place (equality, health and safety, environmental sustainability, and quality control) (Smallbone et al. 2007). All contract winners reported such policies as a consequence of prior bids for public sector contracts. This experience undoubtedly enabled these businesses to seek, and to win, ODA contracts.

*Having done all the information once, it's all there and easy for us to copy and paste. So we don't always have to re-do it. We have set up this system where a different member of my board takes responsibility for a different topic and we review them every year. At the moment, we are just going through a completely new health and safety policy. (Contract winner 1)*

But even contract winners were occasionally critical of CompeteFor. Several reported that contract details were poorly specified. Responding to contract opportunities was therefore, often difficult because firms lacked the necessary information and consequently, often had to make assumptions about contract size, duration, and other particulars. In at least two cases, business owners reported problems expressing an interest due to what they perceived as the vagueness of the posted contract brief. The process was perceived as disadvantaging small firms because they often lack the required policy statements, or because prospective suppliers are not told the reasons why submissions are unsuccessful, or how to improve them.

One contract winner, who was blind, reported the CompeteFor portal to be difficult for certain disabled users, particularly blind, partially sighted and deaf entrepreneurs.

*Some things they just take for granted, like how things are inputted or where the help menus are, or that everyone uses a mouse. I think there ought to be some extra help on the website. A dedicated manual, that if you can't use a mouse, explains how best to use the portal ... Maybe dedicated training workshops for disabled entrepreneurs, about how to go through the whole procurement process, or maybe someone available on the other end of the phone.<sup>13</sup> There could be a number of ways how it could be addressed. (Contract winner 2)*

Although for most, the experience of expressing an interest in an ODA contract was straightforward, some problems were identified, particularly for disabled entrepreneurs. It was felt that ODA staff might benefit from training – demonstrating the software entrepreneurs with different disabilities use – in order to help them better understand the issues they face. A range of software is available including screen readers, screen magnification, software for dyslexic users, and software for deaf people.

### **Managing the contract**

Two issues emerged regarding the operation of ODA contracts. The first refers to the level of detailed contract information available; and the second to the restrictions placed on contract winners referring to the Games to publicise their success. At least three contract winners reported a lack of information from the client both during the process of responding to, and securing a contract, and in the early stages of contract work. Whilst this caused concern for contract winners, it also provided an opportunity for them to deploy their own expertise, to advise clients on the best way to achieve their goals.

*Our knowledge and willingness to take control made the difference. Really coming back and saying 'you can't do this, you'll have to do it this way. You can't do these numbers'. When we went for the pitch, we were very organised and we'd already done a complete timeline, telling them what*

*was achievable in the time. We established things like ‘we’ll do you a status report every week; this is your account manager’ and so on. I just think they were very glad. (Contract winner 1)*

The second issue refers to the restrictions placed on suppliers in publicising their involvement with the Games, which stems from the deals struck with major sponsors. Non-sponsors, we were told by both business owners and intermediary bodies, cannot use the terms ‘Olympic Games 2012’ or ‘London 2012’ in promotional material or on business websites. To the extent that this is the case, this limits contract winners’ ability to exploit the Games commercially. At the same time, the names of all ODA first tier suppliers are published on the London 2012 website, although small businesses supplying further down the supply chain are not affected by this.

*The protocol is really tricky. We’re not allowed our name on anything, and that’s because the big sponsors are obviously paying LOCOG large amounts of money to have the branding on everything. Which I can understand, but it does mean we cannot even send a press release to the local paper to say we have won an ODA contract.<sup>14</sup> (Contract winner 1)*

In summary, for contract winners the experience of tendering for public sector contracts previously, was very important in influencing their ability to access ODA contracts. This prior experience provided respondents with both the skills and the confidence to pursue Games-related contracts. Contract winners reported CompeteFor to be a useful tool enabling small businesses to look for Olympic Games supply opportunities but they also offered a number of critical comments concerning the vagueness of posted contract opportunities and the absence of feedback. Improvements on these matters would surely assist small business owners to submit better bids in the present and in the future. Contract winners made a number of recommendations:

- Greater promotion of the CompeteFor portal to small businesses, through a range of intermediary organisations

- A signposting service to sources of support for firms who fail to get shortlisted needs to be monitored, to ensure its effectiveness
- More procurement workshops and information on the policies small firms are required to have in place
- Training for ODA staff and procurement staff in first tier organisations, on the software available to disabled entrepreneurs and how this helps them to use a website; and how lack of usability prevents them from using a website properly.

### **3.4 Businesses unsuccessful in seeking contract opportunities**

The sample of unsuccessful seekers of contract opportunities comprised four businesses. Three of them were located in the five host boroughs, and three of them were members of ethnic minority groups, including one business owner with a disability.

#### **Motives for seeking Olympic Games contracts**

Businesses that had not been successful reported seeking contract opportunities for two main reasons. First, such contracts provide security to smaller operators and offer opportunities for future work by 'getting a foot in the door' of public procurement. Second, respondents perceived Olympic Games contracts to be more accessible than other public sector opportunities, where selection criteria were considered more stringent.

#### **Finding out about contract opportunities**

All four firms in this group found out about contract opportunities through the CompeteFor website. Most were complimentary about CompeteFor, reporting it as easy to use, presenting no difficulties to register or to complete a business profile. Businesses reported that contract opportunities are advertised at short notice but once in possession of the required information, the process reportedly took little time. One owner was very optimistic about CompeteFor reporting the system was created specifically for small businesses so there will be plenty of opportunities. At the same time, he feared that many large contractors to the ODA already have their small suppliers in place and will not choose local businesses.

## Using CompeteFor

Unsuccessful seekers of contract opportunities reported a number of concerns regarding the CompeteFor process. First, three of the four reported that contract opportunities were vague in terms of suppliers' obligations. Lack of information might encourage unrealistic expectations on the part of those firms considering expressing an interest. They may seek contracts they cannot deliver or conversely, ignore contracts on which they could deliver.

*Another problem was that we had to provide information on the number of staff we could allocate each month to [delivering the product]<sup>15</sup> although they hadn't specified how many [products] a month they needed. They had only mentioned up to 25 and I found this information to be quite confusing. (Unsuccessful firm 1)*

Second, firms that had not been successful in getting shortlisted perceived the online form as inadequate to allow them to market their businesses effectively. CompeteFor allows those seeking contract opportunities to answer a number of questions, to describe themselves using a free text section, and to upload three images to represent their businesses – although ODA staff report that many suppliers choose not to complete this section. Two owners considered the form, consisting mainly of questions requiring 'yes' and 'no' answers, to be constraining their capacity to represent their business activities accurately.

*You're learning nothing about my business this way to give me the opportunity to be shortlisted. You get an arbitrary feeling. You think that I want a business to take this project on that has a hundred members of staff ... It is very arbitrary. Yes, the process takes 10 minutes. But what is the point if you are not going to have some kind of system that makes it fairer for the smaller businesses. (Unsuccessful firm 1)*



Others, conversely, recognised the technical difficulties of running a website on such a large scale:

*Given the amount of tenders<sup>16</sup> that need to be loaded in the website, the need for being precise in terms of info you provide is essential. You need to prove how your services meet best their requirements. (Unsuccessful firm 4)*

Third, the lack of feedback to firms not shortlisted on CompeteFor was a further concern. Firms in this group indicated that although they are informed of their score, they are not notified of the reasons for it. CompeteFor has not been set up to provide feedback but this limits business owners' ability to learn from the experience and to develop their capabilities. Failure provides no foundation for improving future responses to contract opportunities.

*We were not given any feedback. We were just told that the contract had gone to another company ... on commercial reasons. We scored 97 per cent and the company that was awarded the contract scored 100 per cent. (Unsuccessful firm 4)*

### **Business support**

All four firms that had been unsuccessful in seeking contract opportunities had participated, or were about to participate, in events aimed at providing information on the CompeteFor website or increasing their fitness to supply. None had received support in relation to their unsuccessful expressions of interest. One owner was familiar with public sector procurement as the business had won contracts previously. Another suggested that next time he applies for an Olympic contract he will approach an adviser to examine his bid in order to ensure it is adequate to the standards of public procurement.

### **Perceived barriers to winning contracts**

Unsuccessful seekers of contract opportunities reported a number of reasons why they believed they had not been shortlisted on CompeteFor. Not surprisingly, owners considered business size and / or experience as decisive influences on outcomes.

One owner reported having little chance of competing with larger, more established companies.

*Size is not a disadvantage with any sort of contracts, but only with public sector contracts purely because of our experience. Although we have 25 years of experience, how we portray it to UK Government organisations is more anecdotal. (Unsuccessful firm, 4)*

*I've been speaking to some other people in the Hackney event and what we all agree is that we are not going to take anything from the Olympics because the Olympics process is not so straightforward ... Maybe these people should set out targets for small businesses to make it a level playing ground for small businesses, so that small businesses won't have to compete with companies that have £5-10 million worth of turnover but they'll have to compete with companies within their own category of turnover, that will be fair. (Unsuccessful firm 1)*

To overcome the perceived disadvantages of smallness, a number of owners reported considering joining forces with larger, more established, businesses offering complementary products and services, in order to submit better applications. Respondents identified potential partners through prior working and contacts established at events.

ODA staff report that CompeteFor is also being used by companies seeking partners for joint ventures. Some are posting invitations to form a partnership or joint venture on CompeteFor as an opportunity.

Despite a lack of success so far, all four firms that unsuccessfully sought contract opportunities indicated they would pursue future opportunities on CompeteFor. This suggests that firms have not been deterred despite a lack of success so far.

To summarise, a number of points can be made. First, the experience of unsuccessful firms demonstrates that the CompeteFor website has increased their exposure to buyers, although whether this will suffice to overcome purchasers'

perceived preferences for working with known, trusted suppliers is debateable. If not, this will limit the impact of CompeteFor as a mechanism for opening up supply chain opportunities. Second, because purchasers' criteria for shortlisting suppliers are the same whether they use CompeteFor or not, small firms will still be disadvantaged in cases where business size is a major issue in the supplier selection decision. Third, as with contract winners, some aspects of CompeteFor were considered to be in need of improvement.

### 3.5 Aspirers

'Aspirers' comprise those actively taking steps to access Olympics Games contracts through to those considering whether Games contracts are worth pursuing. Twenty one aspirers were interviewed. This number includes 16 business owners and a further five respondents (all women) in the pre-start, planning phase of their businesses. Most business owners were located in the five host boroughs, as were the five pre-starts. Figure 3.1 below shows the distribution of the 16 businesses currently trading by location, sector, owners' gender and business size.

#### Motives for seeking Olympic Games contracts

Aspirers believe they will benefit by seeking contracts through CompeteFor but primarily perceive themselves as likely to benefit through increased demand for their products or services. The huge publicity surrounding the Games, together with the favourable location of these businesses, has definitely increased respondents' expectations:

*East London has established credibility and businesses will benefit from the Olympics being in their vicinity. This applies not only to my business but to all businesses. Bringing customers from all over the world will benefit all sorts of businesses. (Aspirer 9)*

Procurement events have led many business owners to believe it is easier to win ODA contracts than other public sector work as their procedures are not as rigid. Others conversely, prefer to direct their efforts elsewhere and not expect too much from the Games, either because they believe other firms will be focusing on the

Games (Aspirer 5) or because their products are not likely to be sought by the ODA or their contractors.

**Figure 3.1 Aspirers: business characteristics**

<b>Location</b>	<b>Ethnic Minority</b>		<b>Total</b>
	<b>Male</b>	<b>Female</b>	
Newham	2	6	8
Hackney	2	1	3
Tower Hamlets	1	0	1
Barnet	1	0	1
Stoke-Newington	0	1	1
Haringey	0	1	1
Lewisham	0	1	1
<b>Sector</b>			
Services	4	3	7
Media / communications	1	2	3
Training / consultancy	1	5	6
<b>Business Size</b>			
0-5	4	8	12
5-25	2	2	4
<b>Total</b>	<b>6</b>	<b>10</b>	<b>16</b>

Source: interviews and focus group

### **Finding out about contract opportunities**

Many aspirers know what CompeteFor is designed to achieve, are registered, have completed a business profile and receive contract email alerts automatically. Many heard about CompeteFor through attendance at procurement events. One respondent described the ODA as:

*... an organisation that comes to us rather than us having to go to them. ODA is very good in engaging with the community. I do not think other organisations have done the same. (Aspirer 10)*

Other aspirers however, were unaware of CompeteFor, or were critical of its operation. The majority of women focus group participants were not well informed regarding CompeteFor due to being pre-starts or lacking experience of applying for UK Government contracts.

Although most aspirers considered CompeteFor processes as being relatively easy, some reported problems. One owner argued that the CompeteFor system is failing to meet the high expectations it has generated among small business owners.

Contracts were perceived as too large for small firms to apply for, with suitable opportunities only becoming available at lower tiers in the supply chain, and possibly not until 2010. Although there are 'success stories', one respondent referred to a well-publicised example of a disabled, black contract winner as 'iconic but not representative' (Aspirer 3). Promoting 'success stories' might therefore, be a double-edged sword, highlighting the possibilities for business owners in the target groups but also perhaps, raising expectations beyond what might be reasonably fulfilled.

Others acknowledged difficulties might arise due to firms' limited internal capabilities:

*Some businesses may find it difficult to register and then to apply. But the reason is that they may not be ready to register and apply simply because they do not have the infrastructure in place. But they like to be involved, unrealistically, just because we are talking about the Olympics and everyone wants to get business out of it. (Unsuccessful firm 3)*

### **Business support**

Aspirers reported public procurement events as useful in providing basic information about the CompeteFor website and becoming fit to supply. Many owners see this as a simple process of putting the required policies in place; policy templates can be obtained from business support bodies and from the Internet. But, other factors are also important such as business probity, skills and experience, and working style. Some aspirers were critical of events:

*Going to a workshop [and] being told to go to the website, fill in the CompeteFor form and being told about procurement policies is not good*

*enough. Businesses will go there, listen to it, and once they leave will forget about it ... [An] on-the-spot helping hand should be available after events such as workshops. After a business leaves the event, he will find it impossible to do it himself and will forget about it. (Aspirer 10)*

Some aspirers had attended up to ten procurement events, often with the primary aim of networking with potential buyers and suppliers. Networking was considered one of the crucial ways to survive and thrive in business.

Aspirers were critical of support providers' willingness to engage seriously with small businesses, particularly those in our target groups. There was scepticism that support providers were only trying to reach certain groups because central Government had introduced targets on these issues. Some felt it was only a 'box-ticking' exercise, lacking genuine intent to increase firms' capacities to bid for, and win public sector contracts, including those relating to the Olympic Games. This cynicism was fairly widespread:

*I didn't get the sense from those events that there was willingness to work together - it was just the how. Things like CompeteFor and Business Link need to spell it out – how it works and what you need to do to bid for what is available. (Aspirer 6)*

*I find that the practical support is missing. I am just a number because all the support agencies care about is their quotas of ethnic minority, or women, or disabled-owned businesses. (Aspirer 7)*

*Because so much emphasis is on the PQQ, I think there should be more training for small businesses that maybe have never done something like that before and get people used to the idea of filling them in, and filling them in with the emphasis that they are going to win. I have to say that there are some businesses out there that can't bid. They [support organisations] are looking for bums on the seats to fill the spaces and I think they are doing a 'ticking the box' exercise, I don't think they are there to really help people. I just get this impression ... They have already been*

*paid or, [are] getting bums on seats at the workshops, and then fill[ing] in the paper-work and then get[ting] the funding in that way ... We should be hearing more stories of small businesses winning public contracts and we are not, and there's a reason about that; we cannot all be incompetent.*

(Aspirer 2)

Women-owned businesses also thought that support organisations' in receipt of central Government funding, do little to engage with grass-roots organisations and consequently, will never be able to reach certain communities:

*... eighteen months ago, a whole heap of contracts went out to various trusted Government sector organisations to tell people like ourselves about Olympic opportunities and then [they] employed a bunch of people who ... have no gateway into any other community other than the five friends that they have, and so the information is not getting out there. They're not in our network. Not only are they not in our network but the level of care to actually get inside those networks is so lacking.* (Aspirer, focus group participant)

Some aspirers thought that support providers had an important role to play in increasing the confidence of small business owners to enter the public procurement process:

*...more workshops are needed to convince, inspire and motivate the ethnic minorities. He thinks that the ethnic minority [owner] is not well motivated ... There should be more awareness, more creativity, more inspiration, like 'yes, you can do it, go for it, we'll help you'.* (Aspirer 10)

Several issues, with respect to the business support available for aspirers, need to be addressed. First, support organisations could play a more important role in raising awareness of business opportunities. Building closer relationships with community organisations may be one way to do this as the latter are usually better equipped to reach certain types of business. It should of course, be recognised that this is a two-way street. Community organisations need to be willing and able to take advantage

of such support by publicising it and by mobilising their memberships / client bases to participate in such events. Second, events might be redesigned to address the different needs of businesses with widely varying experience of involvement in public procurement processes. Most appear to focus on those lacking any prior knowledge of such processes. Third, a lack of awareness of the existing support available, on the part of some companies, is a concern since Business Link assistance is available to firms registered on CompeteFor, to help them become 'supplier ready'.

### **Perceived barriers to winning contracts**

As with firms that had unsuccessfully sought contract opportunities, there was some scepticism among aspirers that central Government was serious about enabling public sector organisations and their main contractors to engage small businesses as suppliers. Aspirers feel that central Government is letting them down despite generating large expectations. One business owner reported repeated attempts to gain access to local authority contracts over the previous few years with very little success. Considering Olympic Games opportunities specifically, he was dismissive: 'why will they do it in relation to the 2012 Games if they are not doing it now?' (Aspirer 4) He was equally critical of large contractors, one of whom had helped him adapt business practices with a view to accessing public sector contracts, because he felt they were just doing what was required of them to satisfy the local authority client but with little real intent of subcontracting to small suppliers. This outlook he blamed on a corporate culture that places little value on 'social awareness' and views small firms as unreliable.

Aspirers suggested that small business access to public sector contracts is dependent on ODA policies. One construction business owner insisted that as the equality and diversity obligations of first tier contractors to the ODA have no legal force, contractors can always claim they have made their 'best endeavours' to find a suitable diverse supplier but have been unsuccessful (Aspirer 3). The strict time and budget constraints associated with Olympic Games developments strongly encourages contractors to choose suppliers perceived as enabling them to meet their commitments to the ODA rather than to achieve any wider social objectives:



*You cannot afford to be late. The end completion date is not going to move. The programmes are rigid. There is no float - a float being any time that may be used in the event of a delay. Delays are a dirty word on the Olympic projects. So these guys are looking for people who are experienced in that kind of environment and have a track record of delivery. They are not going to digress into anything I say. (Aspirer 3)*

A number of aspirers believe that central Government should demonstrate greater resolve to enable small local businesses to secure Olympic Games contracts. Smallness should not prevent firms from winning contracts. If businesses have a track record of successful delivery, they should not be dismissed just because of their size (Aspirer 5). Some aspirers maintained that Central Government could make subcontracting to small suppliers a condition of contracts with first tier contractors:

*If the Government is interested in ensuring that (a) ethnic minorities and (b) small businesses are contracted by the likes of [large company name] et cetera, any contractor, they've got to write that in. [Large company name] spends time with me showing me how to do pricing et cetera, not because I'm a nice guy or because [large company name] is a wonderful company, but because Islington [Council] insist on that. If the Government really was genuinely interested in helping ethnic minorities ... they would have written that in the contract. It doesn't take much for local authorities and housing associations to engage with the likes of our company. Our turnover is £100,000 per annum. Therefore, we'd only be going for contracts of £25,000 which are not normally sent out to tender. So had they had a genuine interest and not a lip service, it would have been a simple task. (Aspirer 4)*

*... then let the Government say 'Right, big business, you want to have this contract, you are going to have to work with two smaller businesses. These are the contract terms you are going to draw up. You can't just use them to win the contract and then ditch them'. Because don't forget, if you have a symbiotic relationship, it's not symbiotic, they're probably*

*using you for the little slickness, the ideas you have. There's got to be protection in there so we've got to ... be wary about wanting these contracts, protecting small business and having some sort of legislation. Not legislation that's too far, but have some clause that acknowledges the ... need for working with small business.* (Aspirer, focus group participant)

Business size and experience were perceived as important constraints on winning public sector contracts. Most aspirers reported that: first, there is little chance of competing successfully against larger more established businesses; second, that it will be very difficult for them to win business even at lower tiers in the supply chain because most contractors do not want to work with local suppliers and / or already have their own captive supply chains; and third, as a consequence, public bodies should take action to enable small local firms to access ODA contracts.

To overcome the size constraint, a number of aspirers were considering forming partnerships with larger, more established businesses. Respondents stressed the importance of networking at 'meet the buyer' or other events as a means of becoming visible to large organisations and meeting potential small business partners:

*I think it's up to the businesses themselves as start-ups, to be synergising, to deal with other companies in order to go for those contracts, because some of us are just way too small in order to be able to fulfil those contracts. What we should be doing is taking on that responsibility ourselves, finding other people we can work with and synergise with, if we can meet that contract, to do a deal so that we can be part ... Small businesses are never going to have the whole pie. But we can insure that we get in the back-end of somebody, where we can go and provide a service, or a product, and I think that's what we are going to have to do. The contracts, if you look at them ... those contracts we are not going to be able to fulfil, unless we are going to work with somebody.* (Aspirer, focus group participant)

To summarise, the experience of aspirers' shows that the Olympic Games have raised the expectations of many businesses located in the host boroughs.

Procurement events have played their part in raising awareness and in informing businesses about CompeteFor and access to contract opportunities. However, there are several issues to consider. First, central and local Government and the support organisations they fund must continue their efforts to engage with local communities and to take action to enable small businesses to become aware of, and access, contract opportunities. Second, this might include further action to enable small businesses to form consortia with a view to submitting joint applications. Since some small businesses are interested in forming partnerships, there may be scope for business support agencies, such as Business Link, to help facilitate this process. Finally, monitoring contract awards to keep track of contracts won by CompeteFor shortlisted firms is also important. If the portal is to establish wide credibility among small business owners, with influence on the longer term legacy of the portal, they have to perceive it as worth the effort of registering, completing a business profile and responding to posted contract opportunities.

### **3.6 Key points**

- It is 'early days' in the procurement process for the 2012 Olympic Games as far as small businesses are concerned. The construction contracts let so far have been of multi-million pound value. There have been some opportunities for SMEs in corporate procurement but most opportunities for small firms lie in the future. Much depends on the operation of CompeteFor, the vehicle linking small businesses with Games-related contract opportunities.
- Although commercial exploitation of Games-related opportunities is possible for at least some kinds of small businesses, many intermediaries remain to be convinced that the benefits will filter down to the large numbers of firms they represent or support. Not all small businesses are equipped to win Olympic Games contracts. This partly depends on the nature of their activities, but also on their internal

capacity as many will not be suitable to deliver large contracts. Contact with organisations that are active in promoting CompeteFor through dissemination events, encouraged greater optimism.

- Although London Business Network has made considerable efforts to publicise CompeteFor, there are still business owners and intermediaries unfamiliar with its aims and procedures. Responsibility for raising awareness might also be laid at the door of business associations, as well as with London Business Network. Associations might need to be more proactive in mobilising their own memberships / clients to attend events and / or to register on CompeteFor if firms are interested in seeking Games-related business. Our own experience of trying to encourage intermediaries to contribute to this study suggests this may be a difficult task. Some intermediaries appear unable / unwilling to mobilise their members / client businesses to consider 2012 opportunities. For some, this may be a rational judgement of likely benefits for member / client groups or alternatively, a challenge they find it difficult to overcome given resource constraints.
- With respect to CompeteFor, two main concerns emerged from the interviews with business owners and intermediaries. One concern relates to the clarity of advertised contract opportunities. Vagueness is likely to deter small businesses, particularly those unfamiliar with formal procurement processes, who perhaps lack the skills and confidence to engage with CompeteFor. The second issue relates to the lack of feedback to firms not shortlisted. Feedback would enable firms to learn from their experiences and to remedy the problems in future applications.

## 4. CONCLUSIONS AND IMPLICATIONS

In this final chapter, we summarise the key findings and draw out the implications for the five boroughs, for ODA procurement, and for the wider procurement agenda.

### 4.1 Summary of key findings

This report has sought to establish an initial baseline with respect to whether the ODAs procurement policies and practices are benefiting businesses in the five host boroughs of the London 2012 Olympic Games, with a particular focus on small businesses owned by ethnic minorities, women and disabled people. The main findings are:

- (i) **The ODAs policies and practices constitute a significant attempt to increase supplier diversity, within the context of existing regulations and regulatory requirements.** This includes the CompeteFor initiative, which the ODA is contributing to with the LDA and other partners.
- (ii) **Most Olympic Games business opportunities for small firms lie closer to 2012 than to 2008.** The process of procurement for the Games is still at an early stage and first tier construction contracts are too large to be suitable for SMEs. As a result, few SMEs have won contracts so far. Most opportunities for SMEs from construction projects lie either further down the supply chain as contracts cascade through the tiers over time, or in meeting the ODAs corporate procurement needs.
- (iii) **The ODAs regulatory obligations under UK and EU law inhibit action to favour small businesses, firms in the five host boroughs or those in specific target groups.** The ODA must select contractors on best value grounds in a fair manner, which means that no favour can be shown towards suppliers on grounds of size, location or other characteristics. However, there may be opportunities to influence the choice of supplier with lower value contracts, particularly where proximity may be necessary for a contract to be delivered effectively.

- (iv) In fulfilling its public duties with respect to equality and diversity, the ODA test prospective contractors against the statutory obligations regarding equality.** However, it cannot exclude firms at the PQQ stage if they do not have an equality policy. The ODA also requires contractors to use the balanced scorecard approach and encourage its use throughout the supply chain. However, given the modest weighting attached to equality and inclusion issues at PQQ stage, this is unlikely to be a major influence on supplier selection. ODA equality and diversity staff also work with first tier contractors to promote good practice with respect to equality and diversity, both in their own organisations and in their supply chain.
- (v) Implementing supplier diversity is challenging for the ODA, for a number of reasons.** First, the ODA must balance a range of competing pressures alongside achieving a diverse supplier base, the most prominent pressures being value for money and delivering venues and infrastructure in time for the Games. Contract awards will always seek to minimise the risk of non-completion within the permitted timeframe, which will tend to favour contractors with captive supply chains. The issue of time is particularly crucial with regard to the 2012 Games. Second, the ODA lack adequate data on the presence in the broader business population of firms owned by ethnic minority groups, women and disabled people as well as data on existing suppliers' ownership characteristics. This makes it very difficult for the ODA to benchmark supplier diversity performance and to establish whether particular types of business are under-represented among CompeteFor registrants, contract seekers and contract winners. Third, many small firms lack the internal capacity, trading history and required policies / documents to win ODA contracts. Thus, whilst any company can express an interest in any opportunity, whether they are then invited to tender for that opportunity depends on their supply capability and capacity to deliver. This inevitably affects the number of small firms that are fit to supply.
- (vi) The CompeteFor website is the main vehicle for linking small businesses with Olympic Games-related business opportunities.** The operation of CompeteFor in practice has an important influence on whether

ODA procurement will benefit businesses in the five host boroughs, SMEs in general, or those owned by ethnic minority groups, women or disabled people in particular. The CompeteFor model relies on enabling and encouraging registration and access to contract opportunities by all types and sizes of firm. It is assumed that raising participation among excluded groups will translate into an increased number of responses to contract opportunities and ultimately contract awards to these groups. However, on its own, this approach might not suffice to generate a proportionate number of contract seekers and winners in the target groups. It is too early to comment on the effectiveness and overall impact of CompeteFor in relation to increasing supplier diversity.

**(vii) Access to Business Link support is a positive feature of CompeteFor.**

Many businesses that are potentially capable of delivering on contract opportunities advertised on CompeteFor, are either unable to complete a business profile in order to put themselves in a position to apply or alternatively, lack the policy statements / documents required. Business Link can play an important role in enabling such firms to complete a profile and to put the required policies / documents in place. Without such support, many businesses that are close to being fit to supply might be unable to respond effectively to CompeteFor contract opportunities. In the short term, some attempt to understand the reasons for the gap between the number of businesses registered on CompeteFor and those with published profiles would be helpful, since some of this group could be justifiable targets for support.

**(viii) Business awareness of Olympic Games opportunities is growing.**

Businesses aspiring to win supply contracts have had their expectations raised as a result of publicity surrounding the Games and the dissemination activities of important organisations including the ODA and London Business Network. Whilst the active promotion of business opportunities is to be encouraged, there is a risk that business expectations might be raised to a level that cannot be fulfilled. Many SMEs are simply not in a position to win contracts, because they are engaged in activities that are not relevant to the

Games; and / or lack the capacity to deliver; and / or do not have the required policies or trading history. Whilst encouraging firms of all sizes to register on CompeteFor is to be encouraged, it is important not to raise expectations beyond what might be reasonably fulfilled.

**(ix) SME contract winners interviewed as part of this project have previous experience in tendering successfully with public sector organisations.**

Although difficult to find, all SME contract winners interviewed had successful experience of bidding for public contracts. This emphasises the potential benefits of SME owners investing time in understanding and meeting the procurement requirements of public sector bodies, as well as business support agencies assisting this process. It also draws attention to public authorities across the board making their procurement practices 'SME user friendly', following good practice experience.

## **4.2 Implications for the five boroughs**

- (i) A small number of contracts have been awarded to small firms located in the five boroughs.** Although a number of businesses from the five boroughs are published on CompeteFor and are therefore, in a position to apply for advertised contract opportunities, so far local SMEs have benefited little from contract awards. While it is still early days in the procurement cycle, if the potential benefits of local economic regeneration are not foregone, it is important that every opportunity to promote contract opportunities to businesses in the five boroughs is taken and business support organisations are sufficiently resourced to enable them to be particularly proactive in this area.
- (ii) Encouraging the take-up of business support by businesses located in the five boroughs.** The high incidence of ethnic minority-owned and very small businesses in the five boroughs suggests they may need help in completing CompeteFor registration and a business profile. In this regard, business associations may have a key role to play in providing initial support to member / client firms and in encouraging them to turn to Business Link and other mainstream support organisations in order to be in a position to seek



CompeteFor contract opportunities. At the same time, the research evidence suggests that not all business associations have an accurate picture of the role and operation of CompeteFor.

**(iii) Since at least 96 per cent of establishments in each of the five boroughs are small (employing fewer than 50 employees) most local businesses will only be able to access opportunities at lower tiers of the supply chain.** This particularly applies to construction works, where primary contracts to first tier contractors are likely to be out of their reach for capacity reasons.

**(iv) Business intermediaries and representatives of business associations pointed out the potential negative effects of the 2012 Olympics on the five boroughs, which need to be considered alongside any positive gains.** These include inflation in property prices and rents that may drive out local businesses, leading to replacement by corporates and multinationals that will change the complexion of the host boroughs.

#### **4.3 Implications for ODA funded procurement**

**(i) CompeteFor is an innovative system relative to other public sector procurement models, although the research suggests that improvements could be made.** Several issues are relevant. First, the ODA and its partners should continue efforts to publicise CompeteFor aims and procedures in order to increase not just awareness among SME owners, but also to give an accurate picture of its role and modus operandi. Second, the ODA should require buyers to make their advertised contract opportunities as transparent as possible, by providing a greater level of detail about the goods and services required. This will enable prospective suppliers to make a more informed judgement as to whether or not to respond, and is particularly important for SMEs that are unfamiliar with procurement processes. Third, there is a need to ensure that all those wishing to use CompeteFor are able to do so. In particular, additional steps might be required to ensure disabled users can access the portal and navigate around the site. On the basis of information supplied by the ODA, this may need to focus on actively promoting the opportunities that already exist for disabled business owners

and their representatives. Fourth, where possible buyers should provide appropriate feedback to notify unsuccessful firms of the reasons for not being shortlisted in relation to particular contract opportunities. There would appear to be scope for Business Link to co-operate with ODA staff in providing feedback to such firms.

- (ii) **It is important that the ODA should continue to work with first tier contractors to ensure that supplier diversity obligations are well understood.** First tier contractors are required to ensure that the ODAs obligations are acted upon. This requires contractors to encourage their own subcontractors to consider diversity issues when choosing suppliers. The ODA are likely to have more influence over the first tier contractors with whom they deal directly than with suppliers further down the supply chain. This includes: the use of the balanced scorecard; the expectations of the ODA with respect to equality and diversity policies throughout the supply chain; and the use of CompeteFor to advertise contract opportunities where they do not have captive supply chains.
- (iii) **Effective monitoring of supplier diversity is essential at all levels of the supply chain.** However in practice, the ODA are likely to find monitoring of supplier diversity a complex and resource-intensive task to undertake effectively at lower tiers in the supply chain. The ODA are reliant on contractors at tier one and below to monitor contract outcomes and to supply the data to the ODA. While it might be possible to obtain good quality data from the first tier contractors with whom the ODA deal with directly, their influence on contractors might be expected to diminish at lower levels of the supply chain. Subcontractors lower down the supply chain may feel less motivated to pursue supplier diversity objectives consistent with the ODAs requirements and consequently, less keen to maintain information on contract awards to their own suppliers.
- (iv) **Stronger promotion is required of the mechanisms available to enable innovative SMEs to present novel product / service ideas to potential buyers where no contract opportunity exists on CompeteFor.** Currently,

CompeteFor only enables suppliers of innovative products to become involved if buyers have posted a particular contract opportunity on the portal.

Innovative business ideas might never see the light of day on CompeteFor because no buyer has ever thought of them. Although opportunities currently exist through the ODAs Industry Days and meet the buyer events, the research suggests these opportunities are not widely known among the local small business community.

**(v) Active promotion of SME success stories by the ODA and its partners, together with an attempt to manage small business owners’**

**expectations.** In view of the relatively recent nature of attempts to open up public procurement more to SMEs, ethnic minorities and other types of firms, it is important to actively promote and disseminate the experiences of small firm contract winners. However, not all SMEs are in a position to seek and win ODA contracts. Therefore, there is a need to balance the promotion of SME success stories against the need to manage small business owners’ expectations concerning Olympic Games contracts effectively. The ODA, LDA and business associations might all play a role both in mobilising business interest in 2012 Games contract opportunities but also in managing prospective suppliers’ expectations.

#### **4.4 Implications for the wider procurement agenda**

- (i) The policy drivers to achieve supplier diversity appear weak in the context of conflicting policy priorities.** Public procurement is undoubtedly a potentially powerful economic development tool, particularly in the case of ethnic minority firms, where there is a need to encourage and facilitate business diversification and growth; and in areas, such as the five Olympic boroughs, which are in need of economic regeneration. The ODA arguably lacks sufficient powers to achieve a high level of supplier diversity given the competing pressures placed upon it. The ODA has public duties to emphasise ‘best value’, which in the context of the 2012 Games means high quality goods and services delivered on budget and on time. In terms of the wider procurement agenda, clearer guidance from central Government about competing priorities would be helpful. A consistent message is required to be

promoted by Government and all public bodies about their expectations with respect to equality and diversity policies and practices throughout their supply chains. This will help to avoid SMEs finding positive experiences with one public body being matched by negative experiences with others.

**(ii) Supply chains for public bodies can predominantly involve contracts between private companies.** On the one hand, this may be seen as an opportunity as supply chain contracts are not subject to OJEU rules, but on the other hand, that public bodies lack ‘teeth’ to implement supplier diversity at lower levels in the supply chain. From the standpoint of the wider procurement agenda, it may be argued that public bodies such as the ODA lack sufficient powers to achieve their supplier diversity goals. The ODA can compel first tier contractors to advertise contract opportunities on CompeteFor, and encourage this throughout the supply chain, unless a captive supply chain is in place. However, the ODA cannot influence how contractors package their contracts or, in the vast majority of cases, whom they select as suppliers (although they have an ultimate right of veto). Given the rules that the ODA operate under, there are strong limits to their capacity to increase supplier diversity. In practice, the ODAs direct influence appears to be mainly limited to its own corporate procurement (where contract values are lower) and to the encouragement of first tier contractors.

**(iii) There appears to be a growing awareness across London of public procurement opportunities more generally.** Most intermediaries were familiar with CompeteFor, whether or not they assessed the business opportunities for SMEs to be positive. The dissemination of information about ODA procurement opportunities and what firms need to do to become ‘fit to supply’ is viewed by business intermediaries as part of this wider process. This is particularly the case with respect to organisations that are actively cooperating with the London Business Network.

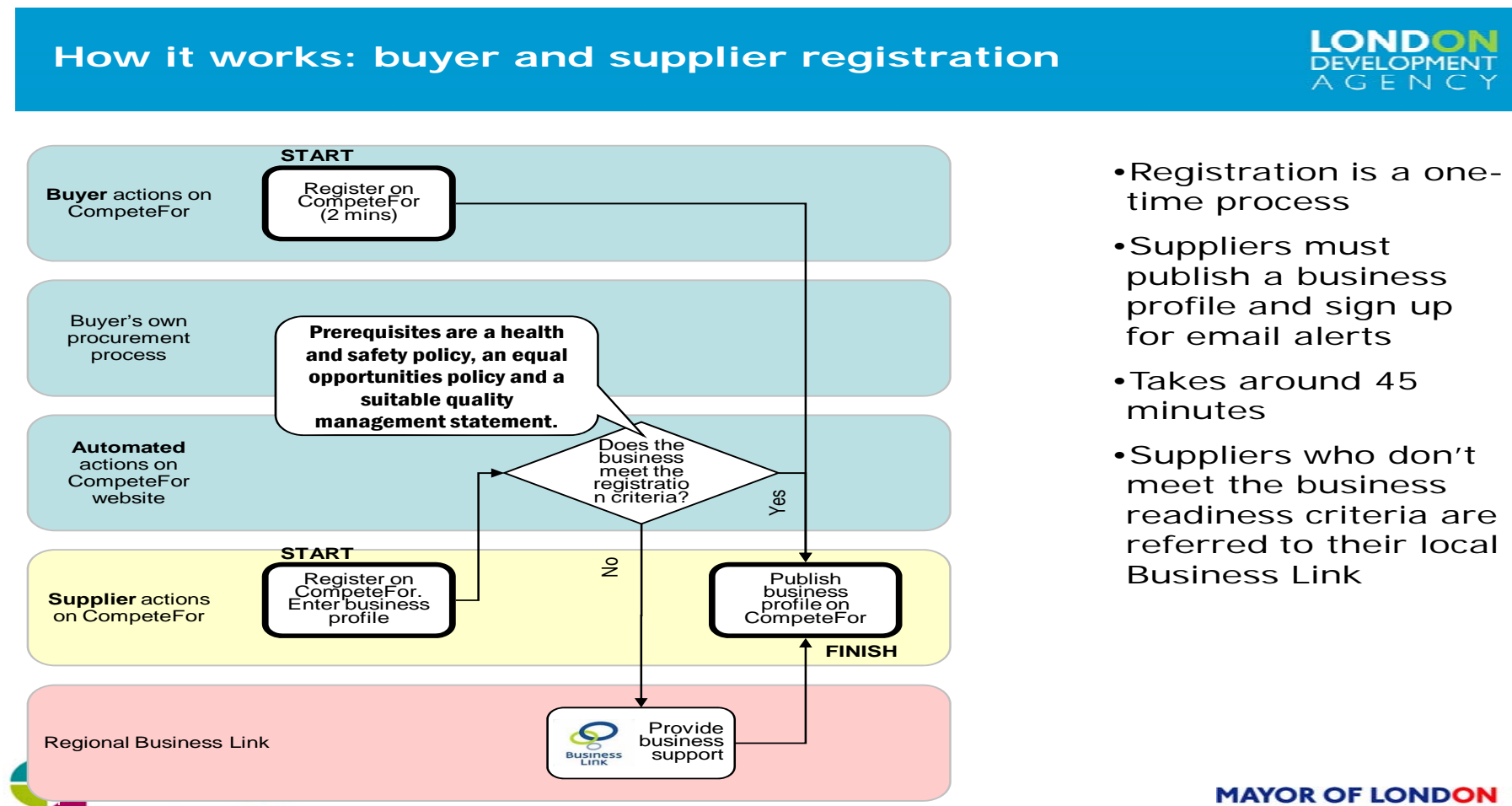
**(iv) Constructing the CompeteFor legacy.** First, the CompeteFor model is anticipated to be used as the mechanism for all public sector procurement beyond 2012. Its use for the Games can be seen as an extended pilot period to identify any glitches in relation to this wider role. For CompeteFor to be able

to develop this wider role beyond 2012 there is a need to establish legitimacy with a broader business constituency, including SMEs and firms owned by ethnic minority groups, women and disabled people. In the context of a Government commitment to ensure small businesses secure 30 per cent of public sector contracts, continued action to ensure a high level of small business participation in the period leading up to the Games is essential. Second, encouraging CompeteFor registration might create a business base who are 'fit to compete' for contracts, for which they might otherwise have been unable or unwilling to pursue. However, it might require considerable effort to sustain the interest of firms that have been unsuccessful in seeking contracts.

- (v) Business support organisations can make an important contribution to supplier diversity.** Support organisations can contribute to higher levels of supplier diversity in various ways: first, by playing a role in raising business awareness of CompeteFor (its procedures and contract opportunities) and by hosting dissemination events; second, by providing support to firms registered on CompeteFor, or by enabling other support providers to reach them; third, by providing information on members / clients' businesses and products to enable buyers to identify potential suppliers; and fourth, by assisting SMEs to access purchasing organisations' networks through 'meet the buyer' and similar events.



## APPENDIX 1: How it works: buyer and supplier registration



- Registration is a one-time process
- Suppliers must publish a business profile and sign up for email alerts
- Takes around 45 minutes
- Suppliers who don't meet the business readiness criteria are referred to their local Business Link

Source: LDA

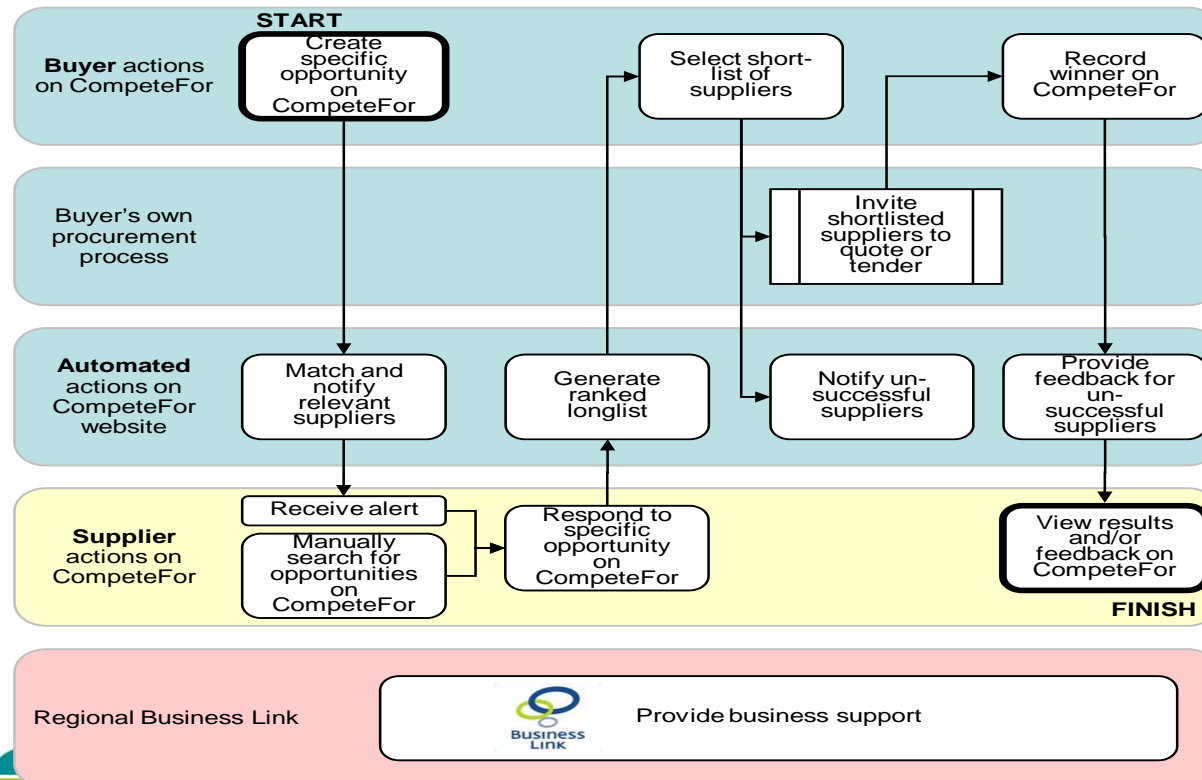
**MAYOR OF LONDON**

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## APPENDIX 2: How it works: business opportunities

### How it works: business opportunities

**LONDON**  
DEVELOPMENT  
AGENCY



- Process occurs every time a buyer posts a specific business opportunity
- Suppliers respond to a shortlisting questionnaire created by the buyer for the specific opportunity
- CompeteFor automatically evaluates suppliers' responses to generate an anonymous, ranked longlist
- The highest scorers are shortlisted

**MAYOR OF LONDON**



## **APPENDIX 3: Participating intermediaries**

- Action for Blind People / Enterprise in Sight
- Association of Community Based Business Advice
- Bangladeshi British Chamber of Commerce
- Black Business Initiative
- East London Business Place
- Elephant Enterprises
- Ethnic Minority Enterprise Project
- GLEOne London
- Hackney Business Ventures
- Hackney Procurement Centre
- Hidden Art
- Latin American Development Agency
- London Development Agency
- Newham Women's Business Centre
- Supply London
- Waltham Forest Construction Web

## ENDNOTES

<sup>1</sup> Ethnic minority firms refer to those majority-owned by members of ethnic minority groups. Similar definitions apply to firms referred to as women-owned and those owned by disabled people.

<sup>2</sup> <http://www.berr.gov.uk/consultations/page46419.html>

<sup>3</sup> The legislation governing procurement is discussed in Section 2.4.

<sup>4</sup> The ODAs regeneration responsibilities are broader than facilitating additional trade for small businesses, for example, providing employment and training opportunities for disadvantaged local people.

<sup>5</sup> ODA staff report this ceiling is currently under review as Olympic Games contracts might enable firms to survive the current economic downturn.

<sup>6</sup> <https://www.competefor.com/london2012business/login.jsp> The CompeteFor website has precedents, although they differ in functionality and target users. These include Supply2Gov, a national portal operated by the Office of Government Commerce (OGC), aiming to be the 'first portal of call' for public sector buyers advertising low value contracts (under £100,000). The portal was set up in response to previous research that identified poor publicising of opportunities as a major barrier to small suppliers contracting with local authorities (Better Regulation Task Force and Small Business Council, 2003). BiP Solutions was established in 1984 to facilitate business between the public and private sectors. BiP provides public sector contract information, through access to a large database of current open contract opportunities, which includes the OJEC / TED. Over 500 UK government organisations use BiPs internet solutions to create and manage their contract information. BiP is a member of the EUs taskforce for standardising the way in which tender information is created, submitted and disseminated.

<sup>7</sup> Other organisations are also involved in organising events aiming to enhance firms' fitness to supply public sector organisations – Supply London; Greater London Enterprise; as well as local authorities and community organisations. Events have focused either specifically on the Games or on public procurement opportunities more broadly.

<sup>8</sup> This number is rising constantly. Data for 3 November 2008, suggests 39,000 businesses have now registered.

<sup>9</sup> Data missing for six businesses.

<sup>10</sup> Contracts below £3,000 require only a single quote.

<sup>11</sup> Supplier Adoption and Economic Development Newham's Kick-Start Model for Supplier Adoption.

<sup>12</sup> This is the language used by the respondent. Strictly speaking, firms do not bid or tender for contracts on CompeteFor; they merely express an interest in particular contract opportunities. This raises the broader issue of the language used by procurement professionals and that used by business owners and others. It is not obvious that business owners are able to speak the same language as procurement professionals and, therefore, more effort might be required to ensure they understand the particular meanings given to words such as 'express an opportunity', 'bid' and 'tender'. Given what some respondents reported, it seems clear they do not always attribute the same meanings to these terms as do professional procurers.

<sup>13</sup> ODA staff point out that there is a CompeteFor helpline available to able-bodied and disabled contract seekers. It is assumed this particular respondent knew nothing of it, suggesting more active dissemination may be appropriate.

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<sup>14</sup> ODA staff report that statements of fact are allowed. So, where a press release is factual, it can be issued.

<sup>15</sup> Bracketed text inserted by the authors to render remarks intelligible.

<sup>16</sup> Again, this is the language used – mistakenly – by the respondent. These should be described as contract opportunities.

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This report examines whether the procurement policies and practices of the Olympic Development Authority (ODA) are benefiting businesses in the five host boroughs of the London 2012 Olympic Games (Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest). There is a particular emphasis on businesses owned by ethnic minorities, women and disabled persons, and on the experiences and expectations of business intermediaries and small and medium enterprises when accessing ODA funded work.

#### WHAT IS ALREADY KNOWN ON THIS TOPIC:

- The ODA has committed to ensure that the economic and social benefits arising from the build of the Olympic Park and venues reach the five host boroughs.
- The ODA has embedded equality and inclusion criteria into its procurement policy, as part of its commitment to supplier diversity.

#### WHAT THIS REPORT ADDS:

- The ODAs regulatory obligations under UK and EU law inhibit action to favour small businesses.
- Most Olympic Games business opportunities for small and medium enterprises may be available closer to 2012 than to 2008.
- Although CompeteFor is regarded as a useful tool for linking small and medium enterprises with Olympic Games-related business opportunities the need for further improvement was identified.

## Contact us

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Textphone: 0845 604 6620

Fax: 0845 604 6630

9am–5pm, Monday to Friday,  
except Wednesday 9am–8pm

#### **Equality and Human Rights Commission helpline – Wales**

Telephone: 0845 604 8810

Textphone: 0845 604 8820

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#### **Equality and Human Rights Commission helpline – Scotland**

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